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# **MBOMBELA LOCAL MUNICIPALITY**

## **2011/12 TO 2013/14 ANNUAL BUDGET AND MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

**For any enquiries please contact Ms Futhi Khalishwayo on 013 759 9143 during office hours.**

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## Abbreviations and Acronyms

**CPIX** – Consumer Price Index Excluding Mortgage Costs

**DORA** – Division of Revenue Act

**DPLG** – Department of Provincial and Local Government

**GDP** – Gross Domestic Product

**GRAP** – Generally Recognised Accounting Practice

**Equitable Share** – A general grant paid to municipalities

**IDP** – Integrated Development Plan. The main strategic planning document of a municipality.

**MFMA** – Municipal Finance Management Act (No 56 of 2003)

**MIG** – Municipal Infrastructure Grant

**MPRA** – Municipal Property Rates Act

**MTREF** – Medium-term Revenue and Expenditure Framework

**NERSA** – National Electricity Regulator South Africa

**NT** – National Treasury

**Operational Expenditure** – Spending on the day to day expenses of a municipality such as general expenses, salaries & wages and repairs & maintenance.

**Rates** – Local Government tax based on assessed valuation of a property

**SDBIP** – Service Delivery and Budget Implementation Plan

**Adjustment Budgets** – Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.

**Allocations** – Money received from Provincial and National Treasury

**Budget** – The financial plan of a municipality

**Capital Expenditure** – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

## Part 1 – Annual Budget

### 1.1 MAYOR'S REPORT

2011 MUNICIPAL BUDGET SPEECH BY THE EXECUTIVE MAYOR OF MBOMBELA LOCAL MUNICIPALITY, CLLR LASSY CHIWAYO: NELSPRUIT CIVIC CENTRE COUNCIL CHAMBERS 11 MAY 2011

The Honourable Speaker of council, Rev Cllr MM Nthali  
Honourable Chief Whip of council, Cllr TM Manana  
Honourable Members of the Mayoral Committee  
Honourable Party Whips of Opposition Parties  
Honourable Councillors  
Honourable Traditional Leaders present  
Members of Ward Committees present  
Acting Municipal Manager  
Senior Management of the municipality  
Members of the media  
Ladies and Gentlemen

Good afternoon

It is indeed a defining moment for our municipality as we turn a new page and begin exciting times for this council and the multitude of our communities who have given us a chance to play a role in proving that indeed there is a silver lining in every dark cloud. We say this Honourable Speaker at the backdrop of what seemed a doom and gloom in just over two years ago when we all said, *"Together in partnership, building a Model African City of Excellence"*, very few could confidently believe that in such a short while we would have collectively turned the fortunes of our city and achieve an unqualified audit opinion from the Auditor General.

Honourable Speaker, I am humbled by the fact that despite all those uncertainties and hardships Mbombela had to overcome, this city still had confidence in me to lead the team to even greater heights. I still maintain, Honourable Speaker that this institution has the capacity and expertise to do miracles only if energies are channeled to the right direction and the mandate is clear in all involved. We are not here to dwell much on that painful past but had to reflect on the road we have traversed in order to be clear of the way ahead

Right from the onset, the diagnostic pointed to just one eventuality, which is what we today call Sakha iMbombela turnaround Strategy and the subsequent battle to have this strategy implemented and our sincere gratitude go out to all who had a role in the realization of that goal. That strategy had first identified the problem areas which we are not at liberty to discuss now but reflect on the interventions going forward and the milestones achieved and need I remind this honourable house that this was not about one man but the tenacity of the collective to conquer.

Lassy Chiwayo was but just a captain that ensured that members of the team always remembered the mandate but we take our hats off to the entire magical team of Mbombela, both the Executive and the Legislature, which by the way is another feather in the cap for this municipality who had a foresight and agreed to bite the bullet and approved the separation of powers to allow the Executive to be accountable to the legislature and do not become both players and referees at the same time.

The municipality's computers and cabinets alike are littered with copies of the turnaround strategy for everyone to read so we are not going to bore the honourable members with the details, but it will be important for these house to note that the Executive was guided by pillars of this document to put together the important documents we are tabling in this house for consideration.

This municipality does not exist in isolation or somewhere in space so it will always be influenced by what happens globally, regionally (SADEC), nationally and of course provincially. What we table here before you, Honourable Speaker and members of this house, is indeed informed by all these trends mentioned above and the priorities our government has put before us but more importantly what our people out there have been crying for, which have been summed up into five (5) priorities of Government at both national and provincial level. Government has committed itself to make a difference in the lives of people by addressing five key priority areas. They are education, fighting crime and corruption, health, employment and rural development.

## **GLOBAL DEVELOPMENTAL DICTATES**

### **Millennium Development Goals**

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other communicable diseases
- Ensure environmental sustainability
- Develop a Global Partnership for Development

### **Nepad Imperatives**

- Strengthening mechanisms for conflict prevention, management and resolution at the sub-regional and continental levels, and to ensure that these mechanisms are used to restore and maintain peace;
- Promoting and protecting democracy and human rights in their respective countries and regions, by developing clear standards of accountability, transparency and participatory governance at the national and sub-national levels;
- Restoring and maintaining macroeconomic stability, especially by developing appropriate standards and targets for fiscal and monetary policies, and introducing appropriate institutional frameworks to achieve these standards;
- Instituting transparent legal and regulatory frameworks for financial markets and the auditing of private companies and the public sector;
- Revitalising and extending the provision of education, technical training and health services, with high priority given to addressing the problem of HIV/AIDS, malaria and other communicable diseases;

- Promoting the role of women in social and economic development by reinforcing their capacity in the domains of education and training; by developing revenue generating activities through facilitating access to credit; and by assuring their participation in the political and economic life of African countries;
- Building the capacity of the states in Africa to set and enforce the legal framework, and to maintain law and order; and
- Promoting the development of infrastructure, agriculture and its diversification into agro-industries and manufacturing to serve both domestic and export markets.

#### Sectoral Priorities

##### (a) Bridging the Infrastructure Gap

- All Infrastructure Sectors
- Bridging the Digital Divide: Investing in Information and Communications
- Technologies
- Energy
- Transport
- Water and Sanitation

##### (b) Human Resource Development Initiative, including Reversing the Brain Drain

- Poverty Reduction
- Bridging the Education Gap
- Reversing the Brain Drain
- Health

##### (c) Agriculture

##### (d) The Environment Initiative

##### (e) Culture

##### (f) Science and Technology Platforms

#### African Renaissance Imperatives

- Economic recovery of the African continent as a whole;
- Ability to establish political democracy throughout the continent;
- Demolition of neo-colonial relations between Africa and the world economic powers;
- Mobilization of Africans to reclaim as well as direct the continent's destiny; and
- Acceleration of people-centred or people driven economic growth and development

#### **DEMOCRATIC SA CONSTITUTIONAL, LEGISLATIVE & REGULATORY REQUIREMENTS**

Objects of local government (South African Constitution) - s 152 are

- (a) to provide democratic and accountable government for local communities;
- (b) to ensure the provision of services to communities in a sustainable manner;
- (c) to promote social and economic development;
- (d) to promote a safe and healthy environment; and

- (e) to encourage the involvement of communities and community organisations in the matters of local government.

A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (a) to (e) above.

Developmental duties of municipalities (South African Constitution) - s 153

A municipality must:

- (a) structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and
- (b) participate in national and provincial development programmes.

### **NATIONAL SPATIAL DEVELOPMENT PERSPECTIVE (NSDP)**

- (a) Rapid economic growth that is sustained and inclusive is a pre-requisite for the achievement of other policy objectives, amongst which poverty alleviation is key;
- (b) Government has a constitutional obligation to provide basic services to all citizens (e.g. water, energy health and educational facilities) wherever they reside;
- (c) Beyond the constitutional obligation identified in Principle 2 above, Govt spending on fixed investment, should be focused on localities of economic growth and/or economic potential in order to:
  - gear up private sector investment
  - stimulate sustainable economic activities
  - create long-term employment opportunities
- (d) Efforts to address past and current social inequalities should focus on people not places
  - In localities where there are both high levels of poverty and development potential, this could include fixed capital investment beyond basic services to exploit the potential of those localities
  - In localities with low development potential, Government spending should focus on providing social transfers, human resource development and labour market intelligence which would enable people to become more mobile and migrate to localities that are more likely to provide sustainable employment or other economic opportunities; and
- (e) In order to overcome the spatial distortions of Apartheid, future settlement and economic development opportunities should be channeled into activity corridors and nodes that are adjacent to or link the main growth centres
  - Infrastructure investment should primarily support localities that will become major growth nodes in South Africa and the SADC region to create regional gateways to the global economy.

### **NATIONAL PRIORITIES**

Medium-Term Strategic Framework (MTSF) Priorities

The strategic priorities of National Government are:

- To speed up economic growth and transform the economy to create decent and sustainable livelihoods;
- Massive programme to build economic and social infrastructure;
- Comprehensive rural development strategy linked to land and agrarian reform and food security;
- Strengthening the skills and human resource base;
- Improve health profiles for all South Africans
- Intensify the fight and crime and corruption
- Build cohesive, caring and sustainable communities;
- Pursuing African Advancement and enhanced international cooperation;
- Sustainable resource management use
- Building a developmental state including improvement of the public services and strengthening democratic institutions

## RELEVANT LOCAL GOVERNMENT POLICY AND LEGISLATIVE MANDATES

Municipal Services (Municipal Systems Act) - s 73

### *General duty*

1. A municipality must give effect to the provisions of the Constitution and—
  - (a) give priority to the basic needs of the local community;
  - (b) promote the development of the local community; and
  - (c) ensure that all members of the local community have access to at least the 50 minimum level of basic municipal services.
2. Municipal services must-
  - (a) be equitable and accessible;
  - (b) be provided in a manner that is conducive to-
    - (i) the prudent, economic, efficient and effective use of available resources; and
    - (ii) the improvement of standards of quality over time;
  - (c) be financially sustainable;
  - (d) be environmentally sustainable; and
  - (e) be regularly reviewed with a view to upgrading, extension and improvement

## LOCAL PRIORITIES

Local Government Turnaround Strategy Priorities

- Accelerate the service delivery programme on basic services: water, sanitation, electricity, human settlements, refuse removal roads etc.
- Address immediate financial and administrative problems in municipalities.
- Regulations to stem indiscriminate hiring and firing.
- Eliminate fraud and corruption in municipalities.
- Ensure and implement a transparent municipal supply chain management system.
- Strengthen Ward Committee capacity and implement new ward governance model.
- Include national and provincial commitments in IDPs.
- Differentiated responsibilities and simplified IDPs.

- Funding and capacity strategy for municipal infrastructure.
- Restructure the Municipal Infrastructure Grant (MIG).
- Intergovernmental agreement with metros on informal settlement upgrade.
- Re-arrange capacity grants and programmes, including Siyenza Manje support.
- Upscale Community Works Programme.
- Implement Revenue Enhancement – Public Mobilisation campaign.
- Launch “good citizenship” campaign, focusing on governance values to unite the nation.

#### Mbombela Flagship projects and initiatives

- Ensuring a sustainable, integrated infrastructure development and basic services (i.e. development challenge)
- Deepening democracy, promoting good governance, Batho Pele, building and strengthening partnerships and social cohesion
- Facilitating the creation of a smart, innovative and learning city lab as well as an information and Knowledge Management Repository
- Creating a vibrant, safe, clean, healthy and friendly city environment
- Initiating the Matsafeni/ N4 gateway and Mbombela Golden Triangle corridor development
- Advancing an overarching human development and community development and the creation of sustainable livelihoods
- Re-profiling and repositioning Mbombela and creating a sense of city identity through the successful hosting of a truly African world class FIFA World Cup which will leave a meaningful legacy in Mbombela, the Mpumalanga province and the region.
- Strategic Infrastructure Investment (i.e. including maintenance and upgrading in traditional nodal areas, townships and villages)
  - Water
  - Roads and storm water
  - Electricity
  - Sanitation
  - Waste collection
  - LED
- Rapid Response to community grievances – i.e. flowing from the IDP consultation processes and service delivery protests
- Targeted backlog reduction intervention (i.e. former neglected areas; service delivery; infrastructure development)
- Demand management i.e. water, electricity and disaster management intervention

These priorities, Honourable find their expression in the 5 Mayoral Priorities of Mbombela namely:

- (a) Sakha iMbombela Turnaround Strategy Implementation.
- (b) Rapid Response.
- (c) 2010 Legacy Projects.
- (d) Flagship Initiatives.
- (e) Institutional & City Profile Development (Brand Mbombela Initiative)

Getting off the blocks as it were, right at the beginning of the 2010/2011 financial year the municipality found itself in an undesirable financial position owing to the massive 2010 World Cup spending on the infrastructure which was also compounded by the following factors:

- (a) The fact that the budget was approved six days before 01 July 2010;
- (b) The late approval created challenges regarding implementation of the budget and financial reforms requirements in terms of the Municipal Budget and Reporting Regulations, the new budget reporting formats and schedules and the accounting reporting framework;
- (c) The municipal financial system (Venus System) had to be modified and enhanced to conform to the reforms which resulted in two months delay in proper reporting in term of section 71 of the MFMA; and
- (d) Severe cash-flow constraints emanating from reprioritisation (cutting) of certain 2010 Soccer World Cup grant funding and 18 months delay on the finalisation of the R200 million loans taken from DBSA etc. had a huge negative impact on the budget performance.

Due to all these challenges the municipality had to be very streetwise and came up with very ambitious interventions which in the final analysis have paid out. The following interventions were implemented:

Due to these severe cash-flow constraints, the following turnaround strategies were implemented during the period under review;

1. Revenue enhancement strategy;

- (a) 92% collection of municipal current accounts.
- (b) 30% collection of municipal debts.
- (c) Implementation of traffic fines collection strategy.
- (d) Meter audits.
- (e) Replacement of old and faulty meters.
- (f) Update of customer information

2. Cost curtailment strategy;

- (a) Reduce general and contracted services expenditure by 25%.
- (b) Freeze and delay filling of vacant posts.
- (c) Cost recovery from unfunded mandates.
- (d) Audit of Eskom electricity connections.
- (e) Audit of Silulumanzi Water connections.
- (f) Implement fleet management system.
- (g) Review bi-ennial contracts and service level agreements

- 3. Implementation of certain capital projects funded from internal reserves (CRR) were delayed until a reprioritisation process was undertaken during adjustment budget in January 2011;
- 4. Implementation of external loan funded projects was been delayed until 30 September 2010;
- 5. Borrowing of a short-term bridging finance amounting to R57 million in July 2010 which was payable in March 2011 from the municipality's banker;
- 6. The fast tracking of the approval of R200 million loan taken from DBSA, subsequently approved on 26 July 2010 and first and second drawdown payments of R71 million and R39 million were received in September and October 2010 respectively;

7. Engagement of the National Treasury regarding the cutting of R120 million PTIS grant funding and subsequently, the re-gazetting of R105 million PTIS grant funding by the National Treasury during December 2010; and
8. Engagement of the Provincial Department of Health regarding the rendering of the unfunded primary health care service by the municipality with an annual average cost of R10.1 million since 2007/2008 financial year.

### **HIGH LEVEL ACHIEVEMENT FOR 2010/2011 FINANCIAL YEAR**

Honourable Speaker, it is indeed a pleasure to me to pronounce the achievement of the municipality during the 2010/2011 financial year. And I would like to say that as a municipality we have delivered and achieved much however more work and delivery still needs to be done and achieved.

1. The municipality managed to update its fixed asset register in accordance with the General Recognised Accounting Practise reporting framework during July 2010. The carrying value of the municipal assets has increased by R4.6 billion (increased to R6.5 billion at 30 June 2010 from R1.9 billion at 30 June 2009) hence the unqualified audit opinion received from Auditor-General for the 2009/2010 financial year. Honourable members would recall that the municipality received qualified audit opinion during 2007/2008 and 2008/2009 financial year because of the outdated and incomplete asset register.
2. A short-term sustainable operational and financial model for the Mbombela stadium has been developed and implemented to ensure the facility does not become a white elephant. Several big matches (soccer and rugby) and other events have been held at the stadium since July 2010.
3. The implementation of the new governance model which fundamentally is about separation of powers and functions between council as a legislature and the executive arm, has been realised during the year.
4. The municipality has set aside during 2010/2011 financial year an amount of R656 million for the installation, construction and refurbishment of infrastructure which includes; water, sewerage, electricity, roads and storm water and community facilities. By prudently spending the allocated funds, the impact thereof will be felt by the community. However the municipality is faced with challenges of under spending of funds allocated for capital projects.

### **PREPARATION FOR 2010/2011 – 2013/2014 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK**

In preparing for 2011/2012 fiscal year we had to consider certain guidelines, assumptions and priorities as we have already pointed out earlier, these were the following;

- National budget assumptions, guidelines and projections;
- Re-demarcation of municipal boundaries;
- Alignment with national and provincial priorities;
- Alignment with the 12 National Outcomes
- Headline inflation and gross domestic products forecasts; and
- Revenue assumptions with regard to grants allocation in terms of Division of Revenue Act.

Municipal budget underlying assumptions, guidelines and projections;

The medium term budget was prepared on a cash flow projection basis. This initiative may I say Honorable Speaker, is a new and innovative way of budgeting:

- The ability and potential of the municipality to generate its own revenue from rates and services charge, sundry charges and other revenues and affordability of ratepayers and consumers of services;
- The equitability and affordability of tariffs by ratepayers and consumers of services
- The ability of the municipality to collect revenue;
- Operating expenditure cost drivers and growth thereof;
- The impact of the updated asset register and the depreciation cost as a cost driver
- The need for investment on existing infrastructure and other assets (repairs and maintenance).
- Capital programme prioritization and funding model over the medium term and
- Provision of basic services to the poor households (Protecting the poor)

Honourable Speaker, the draft 2011/2012 budget totalling R2, 038 billion, outer two years namely; 2012/2013 budget totalling R2, 251 billion and 2013/2014 budget totalling R2, 641 billion was adopted by municipal council on 30 March 2011 and it underwent a public participation process in April and May 2011 with the intention of sourcing views and comments from the community and stakeholders.

The draft budget was made available to the public and stakeholders through different of modes of communication, namely; municipal website, delivered to post boxes by the Post Office, publication on the print and electronic media and ward-based meetings.

The draft budget was submitted to the regulatory authorities such as the National and Provincial Treasury on 08 April 2011 in accordance with Section 22 of Municipal Finance Management Act, 56 of 2003.

An IDP and Budget representative forum meeting was successfully held on 19 April 2011, invited to attend the forum were all Councillors, sector departments, ratepayers' association, farmers association, organised business, traditional authorities, Ehlanzeni District Municipality and other stakeholders.

The following are generic inputs and comments raised by the community and stakeholders during the public participation process;

- (a) The concern about the increase of the tariffs on municipal service like electricity, water, sewerage and refuse removal above the forecasted inflation rate outlook over the medium-term.
- (b) The drastic reduction of capital budget by 32% (R209 million) in 2011/2012 financial year compared to 2010/2011 financial year and its impact on the prevailing services backlogs.
- (c) Measures put in place to address the scarcity of skills required by the municipality in certain functional areas.
- (d) In the past three year's financial performance, the municipality realised huge operating surpluses however from 2010/2011 to 2013/2014 financial years the projected surpluses are relatively small.
- (e) The municipality propose to take a loan of R111 million in 2010/2011; R50 million in 2011/2012; R35 million in 2012/2013 and R48 million in 2013/2014.

- (f) There are significant variances between consecutive financial years comparatively since 2007/2008 financial year.
- (g) The irregular expenditure of R40 million as a result of deviation from supply chain management regulations and R110 million for utilisation of conditional grants for other purposes than intended as report by Auditor-General on the audit report of 2009/2010 financial year.

In responding to the above matters, the content of my speech, Honourable Speaker give a detailed explanation of the assumptions, guidelines, realities and priorities taken into account when the budget was compiled and questions raised in (a) to (d) above are addressed.

In response to (e) above, the municipality is not intending to take up a loan during 2010/2011 and 2011/2012 financial years however there are prospect that the taking up of a loan can be considered during 2012/2013 financial year due to the low gearing approach applied in the past which has resulted in relying on funding of capital expenditure with internal cash reserves and conditional grants which is not sustainable.

The R111 million and R50 million external loan capital expenditure funding comes from the R200 million taken up by council during September 2010. The R200 million loan is a drawdown loan accessible to the municipality when claims are submitted to the financier for actual capital expenditure.

In respond to (f) above, the significant variances on the seven year budget horizon being three past years starting in 2007/2008, the current and the mid-term budget to 2013/2014 are justifiable, if the following factors or elements are taken into account;

The operating and capital grants revenue and expenditure for preparation for the hosting of the 2010 soccer world cup which the municipality received substantial grant funding from 2007/2008 until 2009/2010 financial year.

The past three years are audited figures. The figures have been extracted from the audited financial statements compiled in accordance with the prescripts of the standard of generally recognized accounting practice. The format of the budget that does not have to comply with the accounting reporting framework and therefore certain transactions items are recognized and disclosed different in the financial statements than in the budget.

In respond to (g) above, the irregular expenditure reported by Auditor-General does not indicate that the funds were mismanaged or funds are missing or fraudulent activities have been taken place. All what the finding meant is that although the funds were spent on approved capital and operating programmes, proper regulatory procedures were not followed. And therefore the R150 million cannot be charged or recovered from ratepayers and consumers of municipal services because it is not owed to anybody.

I would like commend the members of community and stakeholders who have attended the public participation meetings and those who have provided us with written views and comments regarding the tabled draft budget.

Honourable Speaker the final budget for 2011/2012 – 2013/2014 medium term for consideration by the council today, 11 May 2011 is as follows;

- (a) The total budget for 2011/2012 fiscal year will amount to R2 046 billion, R1 588 billion has been allocated for operating expenditure and R457 million has been allocated for capital expenditure.
- (b) The budget allocation for the outer two fiscal years, 2011/2012 and 2013/2014 amounts to R4 900 billion. The budget for 2012/2013 will amount to R2 255 billion (R1 750 billion allocated for operating expenditure and R505 million for capital expenditure) and the budget for 2013/2014 will amount to R2 645 billion (R2 044 billion for operating expenditure and R601 million for capital expenditure).
- (c) The budget shows a decrease of R103 million (5%) when compared to the budget for 2010/2011 fiscal year. The significant decrease is on the capital expenditure which is R198 million. The decrease is mainly due to the fact that the massive capital investment on the 2010 World Cup infrastructure has been completed during 2009/2010 fiscal year with some projects overlapping to the 2010/2011 fiscal year.
- (d) However the budget will increase by R496 million over the medium-term to R2 645 billion in 2013/2014 fiscal year with capital expenditure increasing by R143 million (31%) when compared to the 2011/2012 capital expenditure.

The allocation of the budget on the main operating expenditure drivers of the municipality is as follows;

- (a) The employees' remuneration cost will be R386 million in 2011/2012 financial year due to an increase by R44 million (13%) and expenditure to the total operating budget is 24%. The employees remuneration cost will increase to R451 million in 2013/2014 fiscal year and the expenditure to the total operating budget will be 22%. Our remuneration cost for employees, Honourable Speaker is relatively lower than the national norm of 30%.
- (b) Included on the employees' remuneration is an allocation of R4.8 million over the medium-term for the recruitment of young qualified and inexperienced graduates, and artisans on a learnership programmes in order to close the gap of shortage of qualified and skilled employees in the municipality, especially in the field of engineering, property valuation, environmental management and town planning.
- (c) The depreciation of assets has increased drastically by 578% when compared to 2009/2010 fiscal year. The increase on the depreciation is due to the completion of the task undertaken during 2009/2010 fiscal year to update the municipal asset register. The depreciation cost has a huge impact on the tariffs for property rates and services charge, therefore to ensure the ratepayers and consumers of services are not burden in one financial year with the huge increase the depreciation cost has been factored and spread on the tariffs over a period of six years. The impact of the depreciation will be an average of 2.5% on the tariffs.
- (d) The bulk purchase expenditure is mainly expenditure for bulk electricity purchase from Eskom which will be increase to R324 million due to an increase of 26.71 % by Eskom coming into effect from 01 July 2011.
- (e) A total of R159 million has been allocated during the 2011/2012 fiscal year for repairs and maintenance of the municipal infrastructure and assets.

Honourable Speaker, during a strategic planning lekgotlas on the IDP and Budget held in February 2011 by the Mayoral Committee Members and Management, ten (10) burning issues or significant risks were identified.

It was concluded at the lekgotlas that the ten burning issues or significant risks are hindering and causing ineffective service delivery in the municipality. And the focus of the municipality in the medium and long-term should be to put measures in place to address these burning issues, which are inter-alia;

- (a) Inadequate bulk water and electricity resources;
- (b) Inadequate water supply in the Nsikazi area;
- (c) Informal settlements;
- (d) Inadequate revenue generation and collection;
- (e) Lack of long-term strategic plan;
- (f) Non-compliance to legislative and regulatory framework;
- (g) Improper enforcement of by-laws;
- (h) Inadequate repairs and maintenance of infrastructure and assets;
- (i) Unemployment; and
- (j) Poor public image.

An amount of R64 million has been allocated on the operating expenditure budget for 2011/2012 fiscal year for special IDP projects in response to the developmental priorities of the municipality and the total amount allocated over medium-term will be R155 million.

The breakdown of the R64 million allocation per IDP developmental priority;

- An amount of R4.6 million has been allocated for economic development projects and initiatives;
- An amount of R11.6 million has been allocated for 2010 legacy and flagship projects and initiatives;
- The financial management and viability priority has been allocated an amount of R5.8 million;
- The human capital and community development priority has been allocated an amount of R21.7 million;
- An amount of R14.9 million has been allocated for Institutional development and transformation projects and initiatives; and
- The rural development priority has been allocated an amount of R1.5 million.

An amount of R457.8 million has been allocated on the capital expenditure budget for in the 2011/2012 fiscal year and amounting to R1 564 billion over the medium-term to address the institutional, community priorities and macro environment issues which have been listed above as the ten burning issues. The capital expenditure budget for 2011/2012 fiscal year response as follows to those issues;

- An amount of R346 million has been allocated towards infrastructure development in a form of new, refurbishment and upgrade of water, electricity, sanitation, waste management, and roads and storm water networks as well as community facilities which over medium-term (the next three years) will total to R1 259 billion. The allocation towards infrastructure development makes up 80% of the projected total capital expenditure.

- On local economic development, an amount of R16.2 million has been allocated and totalling to R55 million over the next three years. The allocation has been made to ensure there is economic empowerment of the local communities and also to facilitate the jobs creation initiative.
- To ensure the sustainability of and beneficiation from the 2010 legacy, an allocation of R18 million in 2011/2012 fiscal year has been made towards the upgrade of the infrastructure and flagship projects such as the development of an Industrial Development Zone and the allocation will total to R48 million over the next three years.
- The public transport allocation of R45 million in 2011/2012 fiscal year has been allocated towards facilitation of the process of the devolution and transfer of the public transport function from the provincial government to the municipality and the total allocation over the medium-term will be R85 million.

To ensure that those who cannot afford to pay for municipal services due to socio-economic reasons have access to the basic services, an amount of R44.6 million has been allocated for provision of free basic services and rebates on property rates.

Honourable Speaker I mentioned earlier on my speech that the under spending on the capital expenditure remains a challenge to the municipality and therefore an amount of R196 million has been projected to be considered to be rolled-over to the 2011/2012 fiscal year however I need to put it categorically clear that under spending is not acceptable and measures need to be put in place to ensure the municipality is able to implement all the programmes and projects that are planned and budgeted for within a specific fiscal year.

Honourable Speaker, it is worth mentioning that with the 2011/2012 fiscal year budget we anticipate that the spending will have a positive impact on the lives of the local communities. And the following are some of the impacts the budget would have on the infrastructure in terms of new development and refurbishment of existing infrastructure which the beneficiation thereof will be the community and the reduction of the services backlogs;

(a) Water

- An amount of R52 million has been allocated for refurbishment or upgrade of four (4) water treatment plants;
- Five(5) water package plants will be installed or constructed or refurbished at a cost of R10.2 million and approximately 14 818 households will be provided with water from these sources;
- To curb water losses, as part of the national directive to municipalities to reduce water losses, the municipality has allocated R3.5 million to implement the water conservation and demand management programme; and
- An amount of R24 million has been set aside for the upgrading and refurbishment of bulk water infrastructure.

(b) Electricity

- An amount of R13.7 million has been allocated for the electrification of 1142 households;
- 142 streetlights will be installed at a cost of R1.7 million;

- Alternative or renewable energy—to circumvent power shortages from normal electricity grid, the municipality will be installing solar heating units to 160 houses mainly in farm areas. An amount of R 1.5 million has been allocated for this purpose;
- To increase electricity capacity within the municipal supply area an amount R25.2 million has been allocated for upgrade of substations and mini-stations; and
- A total of 200 smart meters will be installed to large power users as part of the Revenue Enhancement Strategy from a budget allocation of R 1.6 million.

(c) Roads and storm water management

- In order to reduce the road backlogs, an amount of R 72.1million has been set aside for the tarring of 37 kilometres;
- A total of 34 kilometres will be resealed from a budget of R 8.5 million;
- An amount of R 4.2 million has been allocated for storm water drainage system in various areas of the municipality; and
- Amount of R 2.0 million has been allocated for designs of various footbridges in Nsikazi region.

(d) Sanitation

- Five waste water treatment works will be upgraded or refurbished at a cost of R 45.8 million; and
- About 3333 households stand to benefit from the installation of ventilated improved pit latrine (VIP) toilets. A budget allocation of R 30 million has been set aside for this project.

As I conclude, Honourable Speaker our appreciation goes to the citizenry of Mbombela for the belief they have shown in the municipality and the ruling party that indeed it will deliver on the mandate and we dare not fail them. This mandate we strongly believe will be reconfirmed as we go to the polls exactly seven days from today when the multitudes of our people will again be pinning their hopes on the incoming council to emulate the sterling work done by those who came before us, to whom we are forever grateful.

When we accepted the responsibility some three years ago, we said and we still say it now that there was no need to bring external capacity into the municipality because we believed there was enough capacity from within to turn the situation around provided that clear systems are put in place and proper guidance is given in pursuit of excellence. We would like to sincerely thank the team that worked tirelessly to exonerate us for that belief.

My personal unreserved gratitude goes to this man, Mr Silumko Masemola, without whom it would have been very difficult to see my term through at Mbombela, who stood by me through thick and thin and really served as a source of inspiration for me even when I began to have second thoughts about the assignment at Mbombela. Today, I stand here before you with pride and full of conviction that Mbombela will never be the same again through his immense contribution and tireless work to support the office of the Executive Mayor.

Our appreciation also goes to the Treasury Services Department team, Corporate Strategy and the Office of the Acting Municipal Manager and the entire Senior Management team of the municipality for the

continued support we received and the tenacity to succeed which was displayed throughout our tenure at Mbombela.

As outgoing MMC for the Finance portfolio and Executive Mayor of this municipality, my appreciation also goes to the Section 79 Oversight Committee on Finance and Shared Services for the good work and guidance shown throughout the consultation stages of this work who ensured that we remain accountable to the legislature and deliver on the mandate as charged by this council. To this end Honourable Speaker and the esteemed members I hereby table 2011/12 annual budget and Medium Term Revenue and Expenditure Framework (Budget) for your consideration and approval.

## 1.2 COUNCIL RESOLUTIONS

On the 11 May 2011, under item A(2), the council of Mbombela Local Municipality met in its council chambers to consider the final 2011/2012 – 2013/2014 annual budget and Medium-Term Revenue and Expenditure Framework and resolved that;

- (a) Council take cognisance of the contents of the report;
- (b) the Medium Term Revenue and Expenditure Framework (MTREF) consisting of the Operating and Capital budgets for the 2011/2012 – 2013/2014 financial years, as reflected in the schedule below, be approved:

Description	2009/2010 Actual (R'000)	2010/2011 Estimate (R'000)	2011/2012 Estimate (R'000)	2012/2013 Forecast (R'000)	2013/2014 Forecast (R'000)
Operating Budget	1 048 439	1 492 723	1 587 769	1 750 024	2 043 694
Capital Budget	1 296 223	656 281	457 823	504 707	601 132
<b>Total Budget</b>	<b>2 344 662</b>	<b>2 149 004</b>	<b>2 045 592</b>	<b>2 254 731</b>	<b>2 644 826</b>

- (c) the Operating budget for the medium term, with the operating surpluses as indicated in the table below, be approved:

Description	2009/2010 Adjusted Budget (R'000)	2010/2011 Adjusted Budget (R'000)	2011/2012 Budget (R'000)	2012/2013 Forecast (R'000)	2013/2014 Forecast (R'000)

Operating revenue	1 048 439	1 505 890	1 607 258	1 776 021	2 077 264
Operating expenditure	1 048 439	1 492 723	1 587 769	1 750 024	2 043 694
<b>Surplus/(Deficit)</b>	-	<b>13 167</b>	<b>19 489</b>	<b>25 997</b>	<b>33 570</b>

- (d) in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the Mbombela Local Municipality for the financial year 2011/2012, indicative allocations for the two projected outer years 2012/2013 and 2013/2014, as well as the multi-year and single year capital appropriations, as set-out in the new budget and reporting regulations (**annexure 534/2011**), as well as below, be approved:
- Budgeted Financial Performance (revenue and expenditure by standard classification)
  - Budgeted Financial Performance (revenue and expenditure by municipal vote)
  - Budgeted Financial Performance (revenue by source and expenditure by type)
  - Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source;
- (e) the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted, as set out in the new budget and reporting regulations and in **annexure 534/2011**:
- Budgeted financial position
  - Budgeted cash flows
  - Cash backed reserves and accumulated surplus reconciliation
  - Asset management
  - Basic service delivery measurement.
- (f) in terms of sections 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003, sections 74 and 75 A of the Local Government: Municipal Systems Act, 32 of 2000 as amended, the tariffs, attached as **annexure 535/2011** to the report, for the supply of water, electricity, waste services, sanitation services, property rates and others as set out below, which were used to prepare the estimates of revenue by source, be approved for implementation with effect from 1 July 2011:

Description	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Electricity	30%	31.27%	19%	23.41%	22%	22%
Water	8%	8%	7%	8%	10%	11%
Sewer	8%	8%	6%	8%	10%	11%
Refuse Removal	8%	9%	8%	10%	11%	12%
Property Rates	8%	N/A	3%	5%	7%	7%
Other tariffs	8%	10%	6%	10%	10%	10%
Semcorp - Silulumanzi	10%	10.99%	14.42%	9.74%	CPI+3%	CPI+3%

- (g) the electricity tariff for the 2011/2012 financial year be approved, subject to the approval thereof by the National Energy Regulator of South Africa, for implementation on 1 July 2011;

- (h) the free basic services package as set out in the report and table below, be accepted for the medium-term 2011/2012 – 2013/2014 financial years:

Description of Services	Quantity	2009/2010 Actual	2010/2011 Estimate	2011/2012 Forecast	2012/2013 Forecast	2013/2014 Forecast
Free Basic Water and Sewer	6 kilolitres per month	21,778,407	32,198,002	35,417,802	39,313,760	43,245,136
Free Basic Electricity	50 kilowatts per month	4,500,000	5,355,000	6,785,321	8,278,091	10,099,271
Free Basic Refuse Removal	100% subsidy on tariff	1,534,560	1,626,634	1,789,297	1,968,227	2,184,732
Property Rates	Between 25% and 100% rebate	564,100	581,023	610,074	646,679	685,479
<b>Total</b>		<b>28,377,067</b>	<b>39,760,659</b>	<b>44,602,494</b>	<b>50,206,757</b>	<b>56,214,619</b>

- (i) Council approve, in principle, ad-hoc projects to be included in the approved budget when funding therefore has been secured and confirmed by the funder and the projects be included in the final Integrated Development Plan for 2011 – 2016 as unfunded projects;
- (j) Council approve the projected committed roll-overs from the 2010/2011 financial year, amounting to **R69 284 269,00**, funded from capital replacement reserves and external loans (**annexure 533/2011**) to be rolled over to the 2011/2012 financial year and actual roll over variances be tabled to Council during the 2011/2012 Adjustment budget process;
- (k) Council approve, in principle, the projected committed roll-overs from the 2009/2010 financial year (**annexure 533/2011**) amounting to **R 126 937 871,00**, funded from conditional grants, subject to approval thereof by National Treasury in accordance with Circular 51 of the Municipal Finance Management Act, 56 of 2003;
- (l) the independent financial assessment study and report (**annexure 532/2011**) be noted and its findings and recommendations be explored and a report on the possible implementation thereof be submitted to Council during the 2011/2012 Adjustment budget process;
- (m) it be noted that the 2011/2012 – 2013/2014 Medium Term Revenue and Expenditure Framework and budget was informed by the 7 pillars of the Sakha iMbombela turnaround strategy (key areas of focus), namely:
- Economic Development
  - 2010 Legacy and Flagships Projects
  - Financial Management and Viability
  - Human Capital and Community Development
  - Infrastructure and Sustainable Services
  - Institutional Development and Transformation
  - Rural Development;
- (n) a workshop to discuss the effective collection of outstanding debt, especially those that had been outstanding for 90 days or older, be arranged as soon as possible;

- (o) the taxes levied on empty stands purchased by first time home owners, be reviewed during the 2011/2012 Adjustment budget process; and
- (p) the profit made by Council on the selling of electricity, be reviewed.

### **1.3 EXECUTIVE SUMMARY**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers and also make its credit control and debt collection policy a by law.

National Treasury's MFMA Circular No. 51, 54 and 55 were used to guide the compilation of the 2011/12 MTREF. The planning of the budget involved consideration of all factors, which had far reaching implications on the annual budget of the municipality.

### **2011 MUNICIPAL ELECTIONS**

The fact that municipal elections are taking place on 18 May 2011, it will require council to approve the final revised IDP and Budget for the medium term covering 2011/2012 – 2013/2014 financial year not later than 13 May 2011. Council has at its meeting held on 02 March 2011, under item A(3) resolved to revise the IDP and Budget Process Plan to be line with option one as encompassed on MFMA Circular 54. The option one council adopted would by implication result in the current council adopting the draft IDP and budget by 31 March 2011, conduct public participation and consultative processes and then approving the final IDP and Budget before the elections on 18 May 2011.

### **REDEMARCATON OF MUNICIPAL BOUNDARIES**

The planning and budgeting processes for the medium-term should take into account the new municipal boundaries and wards. There will no longer be any declared district management area (DMA). The DMA which were under Ehlanzeni District Municipality will now form part of the local municipalities within the district.

It is therefore important that municipality, when budgeting for medium-term take guidance from any section 12 notice affecting them and that the municipality make appropriate plans for taking on board any assets, liabilities and/or staff that will be transferred by the district municipality to the municipality.

### **NATIONAL PRIORITIES**

The President on his 2011 State of the Nation Address mentioned five national priorities which should be embedded by all spheres of government on the planning and budgeting processes for the medium-term.

The government has introduced the New Growth Plan that will guide the work of all spheres of government in achieving the goals relating these national priorities within the premise that the creation of decent work is at the centre of our economic policies.

The five national priorities are;

- (a) Creating decent jobs;
- (b) Improving the quality of education;
- (c) Enhancing health services;
- (d) Enhancing rural development and agrarian; and
- (e) Fight against crime and corruption.

In His address, the President has further declared 2011 as a year of job creation. The municipalities should align their programmes with the job creation imperative.

To achieve this national priority, municipalities are urged to when drafting 2011/2012 budgets to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the EPWP. The municipality ought to focus on maximizing its contribution to job creation by;

- (a) Ensuring that service delivery and capital project use labour intensive methods wherever appropriate.
- (b) Ensuring that service providers use labour intensive approaches.
- (c) Supporting labour intensive LED projects.
- (d) Participating fully in the EPWP/National youth service plan NYDP.
- (e) Implementing interns programmes to provide young people with on-the-job training.

## NATIONAL OUTCOMES

All municipalities are expected to take the 12 outcomes of government into consideration when reviewing their IDPs and developing their annual budgets for the 2011/2012 MTREF. The 12 outcomes, including the role of local government are as follows;

Outcomes	Role of local government
1. Improve the quality of basic education	<ul style="list-style-type: none"> <li>• Facilitate the building of new schools by;               <ul style="list-style-type: none"> <li>○ Participating in needs assessments.</li> <li>○ Identifying appropriate land.</li> <li>○ Facilitating zoning and planning processes.</li> </ul> </li> <li>• Facilitate the eradication of municipal service backlogs in schools by extending appropriate bulk infrastructure and installing connections</li> </ul>
2. Improve health and life expectancy	<ul style="list-style-type: none"> <li>• Many municipalities perform function on behalf of provinces.</li> <li>• Strengthen effectiveness of health services by specifically enhancing TB treatments and expanding HIV and AIDS prevention and treatments.</li> </ul>

	<ul style="list-style-type: none"> <li>Municipalities must continue to improve Community Health Service infrastructure by providing clean water, sanitation and waste removal services.</li> </ul>
3. All people in South Africa protected and feel safe	<ul style="list-style-type: none"> <li>Facilitate the development of safer communities through better planning and enforcement of municipal by-laws.</li> <li>Direct the traffic control function towards policing high risk violations – rather than revenue collection.</li> <li>Metro police services should contribute by: <ul style="list-style-type: none"> <li>Increasing police personnel.</li> <li>Improving collaboration with SAPS.</li> <li>Ensuring rapid response to reported crimes</li> </ul> </li> </ul>
4. Decent employment through inclusive economic growth	<ul style="list-style-type: none"> <li>Create an enabling environment for investment by streamlining planning application processes.</li> <li>Ensure proper maintenance and rehabilitation of essential services infrastructure.</li> <li>Ensure proper implementation of the EPWP at municipal level.</li> <li>Design service delivery processes to be labour intensive.</li> <li>Improve procurement systems to eliminate corruption and ensure value for money.</li> <li>Utilise community structures to provide services</li> </ul>
5. A skilled and capable workforce to support inclusive growth.	<ul style="list-style-type: none"> <li>Develop and extend intern and work experience programmes in municipalities</li> <li>Link municipal procurement to skills development initiatives.</li> </ul>
6. An efficient, competitive and responsive economic infrastructure inclusive growth	<ul style="list-style-type: none"> <li>Ring-fence water, electricity and sanitation functions so as to facilitate cost-reflecting pricing of these services.</li> <li>Ensure urban spatial plans provide for communal rail corridors, as well as other modes of public transport.</li> <li>Maintain and expand water purification works and waste water treatment works in line growing demand.</li> <li>Cities to prepare to receive the devolved public transport function.</li> <li>Improve maintenance of municipal networks.</li> </ul>
7. Vibrant, equitable and sustainable rural communities and food security	<ul style="list-style-type: none"> <li>Facilitate the development of local markets for agricultural produce.</li> <li>Improve transport links with urban centres so as to ensure better economic integration.</li> <li>Promote home production to enhance food security.</li> <li>Ensure effective spending of grants for funding extension of access to basic services</li> </ul>
8. Sustainable human settlements and improved quality of household life	<ul style="list-style-type: none"> <li>Cities must prepare to be accredited for the housing function.</li> <li>Develop spatial plans to ensure new housing development in line with national policy on</li> </ul>

	<p>integrated human settlements.</p> <ul style="list-style-type: none"> <li>• Participate in the identification of suitable land for social housing.</li> <li>• Ensure capital budgets are appropriately prioritized to maintain existing services and extend services</li> </ul>
9. A responsive and accountable, effective and efficient local government system	<ul style="list-style-type: none"> <li>• Adopt IDP planning process appropriate to the capacity and sophistication of the municipality.</li> <li>• Implement the community work programme.</li> <li>• Ensure ward committee are representative and fully involved in community consultation processes around the IDP, budget and other strategic service delivery issues.</li> <li>• Improve municipal financial and administrative capacity by implementing competency norms and standards and acting against incompetence and corruption.</li> </ul>
10. Protection and enhancement of environmental assets and natural resources	<ul style="list-style-type: none"> <li>• Develop and implement water management plans to reduce water.</li> <li>• Ensure effective maintenance and rehabilitation of infrastructure.</li> <li>• Run water and electricity saving awareness campaign.</li> <li>• Ensure proper management of municipal commonage and urban open spaces.</li> <li>• Ensure development does not take place on wetlands.</li> </ul>
11. A better South Africa, a better and safer Africa and world	<ul style="list-style-type: none"> <li>• Role of local government is fairly limited in this area. Must concentrate on: <ul style="list-style-type: none"> <li>◦ Ensuring basic infrastructure is in place and properly maintained.</li> <li>◦ Creating an enabling environment for investment.</li> </ul> </li> </ul>
12. A development-oriented public services and inclusive citizenship	<ul style="list-style-type: none"> <li>• Continue to develop performance monitoring and management systems.</li> <li>• Comply with legal financial reporting requirement.</li> <li>• Review municipal expenditure to eliminate wastage.</li> <li>• Ensure councils behave in ways to restore community trust in local government.</li> </ul>

## ECONOMIC OUTLOOK AND FORECASTS - HEADLINE INFLATION AND GROSS DOMESTIC PRODUCTS FORECASTS

The headline inflation estimate and forecast for medium-term will be as follows;

Description	2009/2010 Actual	2010/2011 Estimate	2011/2012 Forecast	2012/2013 Forecast	2013/2014 Forecast
Headline CPI Inflation	6.3%	4.2%	4.8%	5.3%	5.5%

The Real Gross Domestic Products growth forecast by the Statistician-General is as follows;

Description	2009/2010 Actual	2010/2011 Estimate	2011/2012 Forecast	2012/2013 Forecast
Real GDP	2.8%	3.4%	4.1%	4.4%

The projected total national government expenditure for the medium-term is a growth of 9.8%.

## REVENUE AND CASHFLOW ASSUMPTIONS

The key fundamental for the compilation of the medium-term budget will be ability of the municipality to collect the revenue projected. As a result the medium-term budget will be cash flow driven so that the municipality does not find itself in an unfavorable cash flow position in future.

The National Treasury has condemn the municipality's decision of a balanced budget approach and therefore an approach to be implemented going forward is that the budget should reflect a surplus of at least one 1% of the total revenue budget so that the municipality is in a position to build its cash backed internal reserves to fund future refurbishment and upgrade of existing infrastructure and assets.

## GRANTS ALLOCATIONS

The 2011 Division of Revenue Bill has provided guidelines in terms of the conditional (R662 million), unconditional (R973 million) and in-kind (R94 million) grants allocation to the municipalities which in total amounts to R1, 729 billion over medium-term.

## MUNICIPAL BUDGET UNDERLYING ASSUMPTIONS, GUIDELINES AND PROJECTIONS

### 1. Revenue generation and collection

The municipality plans to generate revenue from rates, services and sundry charges by adjusting the tariffs and fees by an average of 12% over the medium-term as follows;

Description	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Electricity	30%	31.27%	19%	23.41%	22%	22%
Water	8%	8%	7%	8%	10%	11%
Sewer	8%	8%	6%	8%	10%	11%
Refuse Removal	8%	9%	8%	10%	11%	12%
Property Rates	8%	N/A	3%	5%	7%	7%
Other tariffs	8%	10%	6%	10%	10%	10%
Silulumanzi	10%	10.99%	14.42%	9.74%	CPI+3%	CPI+3%

(a) Water

Ensuring that water is correctly priced is the most effective means getting households and businesses to conserve water.

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants and water networks and the cost of new infrastructure.
- Water tariffs are structured to protect basic levels of service.
- Water tariffs are designed to encourage efficient and sustainable consumption.

In accordance with MFMA Circular 55 the municipality should ensure it implement appropriate structured, cost-reflective water tariffs by 2014.

Due to the above the water tariff adjusted will be 3% above the projected headline inflation forecast for 2011/2012 and MTREF.

#### (b) Refuse Removal (Waste Management)

The municipality would require to put more money on the waste management services to improve the services which include amongst other things;

- The rehabilitation of old and near full capacity landfill sites;
- The operationalisation of the new Tekwane-West landfill site;
- The replacement of the waste management fleet;
- The filling of critical vacant posts; and
- The refurbishment of existing and dilapidated assets

The achievement of the above would necessitated that the increase on refuse removal tariffs be 5% above the headline inflation for 2011/2012 and MTREF.

#### (c) Property Rates

The property rates tariff increase will be equivalent to the headline inflation forecasts for 2011/2012 and MTREF because of the above inflation increase of cost drivers and expenditure pressure on upgrade infrastructure and provision of basic services.

### 2. The ability of municipality to collect revenue (payment level)

The payment level trend for the past three years, including current financial year until to date is follows;

DESCRIPTION	ACTUAL 2007/2008	ACTUAL 2008/2009	ACTUAL 2009/2010	ESTIMATE 2010/2011	FORECAST 2011/2012	FORECAST 2012/2013	FORECAST 2013/2014
Payment Levels	88%	92%	85%	92%	92%	92%	92%

The collection average rate of 92% on current accounts will be maintained over the medium-term. The provision for doubtful debts has been projected at 8% over the medium-term.

The summary of outstanding debts for the past three years, including current financial year until to date is as follows;

DESCRIPTION	2007/2008 ACTUAL	2008/2009 ACTUAL	2009/2010 ACTUAL	2010/2011 ESTIMATE	AVERAGE
rates, services and sundry charges debtors	R 248 041 281	R 303 467 611	R331 151 658	R385 743 093	R131 600 000
Growth	12%	22%	9%	16%	15%

The Treasury Service Department has developed a revenue enhancement strategy to address some of the challenges leading to the dwindling payment levels. This strategy seeks to ensure that there is improvement in payment levels and recovery of outstanding debt. The collection on outstanding debts has been projected at an average 36% per annum over the medium-term.

### OPERATING EXPENDITURE: GROWTH FACTORS

The operating expenditure will increase by an average of 5% over the medium-term, except the key cost or expenditure driver stated on the table below;

DESCRIPTION	% INCREASE
Salaries, Wages And Allowances	6.08% general increase, 2.5% for new additional vacant posts, 0.5% for learnership and 3.92% IAS 19 provision bringing the total increase to 13%
Remuneration of Councilors	8% (CPI plus 2%), provision has been made for seven additional councillors due to the re-demarcation.
General Expenditure: Bulk Purchase	26.71% as per Eskom increase.
General Expenditure	Average increase of 2%.
Interest on external loan	Will depend on the loan amount drawdown from the R200 million DBSA loan taken during September 2010.
Depreciation	Due to update of the asset register during 2009/2010 and 2010/2011 financial year, the depreciation expense has increase by 578%. The expense will be phased-in to the tariffs over a period of six years.
Special IDP Projects	4% of the total operating expenditure budget
Provision for doubtful debts	8% of the rates and services charge revenue

The drastic increase on depreciation by 587% due to the update of the asset register will be phased-in over a period of six years on the tariffs and fees for property rates and services charge.

## CAPITAL BUDGET FUNDING AND PROJECTS

The capital expenditure of the municipality would decrease by an average of 11% over the medium-term due to huge spending on the 2010 World Cup infrastructure which happened during 2009/2010 and part of 2010/2011 financial year.

The funding of the capital expenditure will sourced from conditional grants allocations, external loans (borrowings) and internal reserves. The availability of the internal reserves will largely depend on the collection of outstanding debts which has been projected at 36% on average per annum over the medium-term.

## PROVISION OF FREE BASIC SERVICES PROVISION TO THE INDIGENT HOUSEHOLDS

The Indigent Policy of the Mbombela Local Municipality as approved by Council in 2003 is in line with the National Policy on provision of Free Basic Services with its objective of providing free access to basic services to the poor and enhancing the fight against poverty. This policy is being reviewed to be in line with the requirements proposed by the National Department of Cooperative Governance and Traditional Affairs.

The following assumptions were also taken into consideration towards the provision of free basic services;

- Reducing the impact of poverty through free basic service provision
- Protecting the poor from the economic downturn
- Expansion of the current FBS provision by providing Free Alternative Basic Energy

The statistical information on demographic profiles of the municipality is contained on page 92 of the 2011 – 2016 Integrated development plan (IDP) of the municipality.

The municipality is currently offering the following free basic services:

Free Basic Water	6kl per month
Free Basic Electricity	50kW per month
Free Basic refuse removal	100 % subsidy on tariff
Rebate on property rates	Rebates ranging from 25% to 100% and first R80 000.00 market value being 100% exempted from rates.
Free Basic Sewer	6kl per month

The application of the above assumptions, guidelines and priorities has resulted in the following medium-term budget estimate proposals;

## Consolidated Overview of the 2011/12 MTREF

Budget Type	Adjustment Budget 2010/11 (R-value)	Budget Year 2011/12 (R-value)	Budget Year 2012/13 (R-value)	Budget Year 2013/14 (R-value)
Operating Expenditure	1 492 723 472	1 587 769 117	1 750 024 180	2 043 693 578
Operating Revenue	1 505 890 215	1 607 257 668	1 776 021 125	2 077 264 212
<b>Surplus for the year</b>	<b>13 166 743</b>	<b>19 488 551</b>	<b>25 996 945</b>	<b>33 570 633</b>
Capital Expenditure	656 281 409	457 823 240	504 707 908	601 132 299
<b>Total Budget</b>	<b>2 149 004 881</b>	<b>2 045 592 357</b>	<b>2 254 732 088</b>	<b>2 644 825 877</b>

Total operating revenue has grown by 6.73% or R 101,367,453 for the 2011/2012 financial year when compared to the 2010/2011 adjustment budget. For the two outer years, operational revenue will increase by 10.5 and 16.96% respectively.

Total operating expenditure for the 2011/12 financial year has been appropriated at R1.6 billion and translates into a budgeted surplus of R19.4 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 7% in the 2011/12 budget and by 10.21% and 16.78% for each of the respective outer years of the MTREF.

The operating surplus for the two outer years increases to R25.9 million and R33.5 million. These surpluses will be used to fund future capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R457 million for 2011/12 is 30.2% less when compared to the 2010/11 Adjustment Budget. The decrease is due to cash flow crises which resulted in cutting of various projects funded by the Municipality. The capital programme increases to R504 million in the 2012/13 financial year and to R601 million in the 2013/14 financial year. A substantial portion of the capital budget will be funded from grants over MTREF with anticipated allocations of R235 million for 2011/12, R224 million and R280 million respectively in the outer years of the MTREF.

#### 1.4 OPERATING REVENUE FRAMEWORK

For Mbombela Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);

- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2011/12 annual budget and MTREF – Revenue classified by main source:

Source of Revenue	Audited Outcome 07/08	Audited Outcome 08/09	Audited Outcome 09/10	Original Budget 10/11	Adjusted Budget 10/11	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Property rates	142 044 993	155 405 840	187 192 358	207 226 320	207 226 320	239 444 704	275 446 121	316 602 169
Service charges - electricity	181 277 960	227 314 368	328 996 570	425 301 930	425 301 930	525 034 224	669 886 020	854 876 321
Service charges - water	16 290 216	18 427 793	18 175 602	19 779 180	19 779 180	23 249 830	26 097 823	29 682 650
Service charges – sanitation	11 170 550	12 886 179	12 657 152	14 105 680	14 105 680	13 576 863	15 307 913	17 501 536
Service charges - refuse	34 741 711	38 305 600	41 860 556	48 052 450	48 052 450	52 699 583	59 924 818	69 129 270
Rental of facilities and equipment	1 932 194	1 595 756	1 412 305	2 705 440	19 205 440	23 063 938	28 503 833	35 454 480
Interest earned - investments	30 121 700	41 267 409	16 389 721	11 574 150	5 912 543	4 300 849	4 300 849	4 300 849
Interest earned - debtors	16 390 889	30 810 293	20 765 102	25 111 850	17 700 000	18 339 090	20 172 999	22 190 298
Fines	3 384 898	4 556 526	3 022 962	4 371 930	4 371 930	3 741 713	4 300 805	4 943 544
Licences and permits	2 257 573	6 191	9 219	7 234 000	5 263 935	5 298 542	6 093 021	7 006 642
Agency services	47 476 381	18 833 991	20 136 561	83 810 960	61 074 465	71 687 560	82 440 694	94 806 798
Transfers recognised – operational	161 950 512	179 798 446	397 738 141	266 873 000	329 183 183	298 622 000	325 248 000	349 331 000
Other revenue	31 363 375	34 201 600	34 638 228	56 805 070	35 031 262	31 817 793	34 740 545	38 013 971
Gains on disposal of PPE	0	0	238 323	15 400 000	10 400 000	9 554 685	9 554 685	9 554 685
<b>Total Revenue</b>	<b>680 402 952</b>	<b>763 409 992</b>	<b>1 083 232 802</b>	<b>1 188 351 960</b>	<b>1 202 608 318</b>	<b>1 320 431 374</b>	<b>1 562 018 126</b>	<b>1 853 394 213</b>

Percentage growth in revenue by main revenue source:

Revenue By Source	Current Year 2010/11		MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK					
Source of Revenue	Adjusted Budget 10/11	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%

Revenue By Source	R'000		R'000		R'000		R'000	
Property rates	207 226 320	17	239 444 704	18	275 446 121	18	316 602 169	17
Service charges - electricity	425 301 930	35	525 034 224	40	669 886 020	43	854 876 321	46
Service charges - water	19 779 180	2	23 249 830	2	26 097 823	2	29 682 650	2
Service charges – sanitation	14 105 680	1	13 576 863	1	15 307 913	1	17 501 536	1
Service charges - refuse	48 052 450	4	52 699 583	4	59 924 818	4	69 129 270	4
Rental of facilities and equipment	19 205 440	2	23 063 938	2	28 503 833	2	35 454 480	2
Interest earned - investments	5 912 543	0	4 300 849	0	4 300 849	0	4 300 849	0
Interest earned - debtors	17 700 000	1	18 339 090	1	20 172 999	1	22 190 298	1
Fines	4 371 930	0	3 741 713	0	4 300 805	0	4 943 544	0
Licences and permits	5 263 935	0	5 298 542	0	6 093 021	0	7 006 642	0
Agency services	61 074 465	5	71 687 560	5	82 440 694	5	94 806 798	5
Transfers recognised – operational	329 183 183	27	298 622 000	23	325 248 000	21	349 331 000	19
Other revenue	35 031 262	3	31 817 793	2	34 740 545	2	38 013 971	2
Gains on disposal of PPE	10 400 000	1	9 554 685	1	9 554 685	1	9 554 685	1
<b>Total Revenue</b>	<b>1 202 608 318</b>	<b>100</b>	<b>1 320 431 374</b>	<b>100</b>	<b>1 562 018 126</b>	<b>100</b>	<b>1 853 394 213</b>	<b>100</b>
<b>Total revenue from Service Charges</b>	<b>714 465 560</b>	<b>59</b>	<b>854 005 204</b>	<b>65</b>	<b>1 046 662 695</b>	<b>67</b>	<b>1 287 791 946</b>	<b>70</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. In the 2010/11 financial year, revenue from rates and services charges totalled R714 million or 59%. This increases to R854, R1 billion and R1.2 billion in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 65% in 2011/12 to 69% in 2013/14. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in SA1

Operating grants and transfers is the second largest revenue source totalling R329 million in the 2010/11 financial year and steadily increases to R349 million by 2013/14. Note that there is a decrease of 9.28% allocation in the 2011/12 financial year with a steady increase of 8.92% and 7.4% in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Property rates is the third largest revenue source totalling 18% of the total revenue or R239 million rand and increases to R316 million by 2013/14.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6% upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and SembCorp (Silulumanzi) Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

## PROPERTY RATES

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R65 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 30% rebate will be granted on all residential properties (including state owned residential properties);
- 100% rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 100% (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;

- The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The Municipality may award a 100% grant-in-aid on the property rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rateable properties for purposes of levying rates and the approved general rate for the 2011/12 financial year based on a 5% increase will be 0.6978 cent in the Rand from 1 July 2011 is contained below:

Comparison of approved rates to levied for the 2011/12 financial year

Category	Current Tariff (01 July 2010)	Approved Tariff (01 July 2011)
Residential Properties	0.6646	0.6978
Residential property with special consent	0.9969	1.0467
Government owned Properties	1.9938	2.0935
Business & Commercial	1.6615	1.7446
Agricultural	0.1662	0.1745
Vacant Land	1.9938	2.0935
Other property	1.6615	1.7446
Rural communal and state trust land	0.6646	0.6978
Public service infrastructure property;	0.1662	0.1745
Public benefit organization property;	0.1662	0.1745

#### **OVERALL IMPACT OF TARIFF INCREASES ON HOUSEHOLDS**

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table SA14 – Household bills

## MP322 Mbombela - Supporting Table SA14 Household bills

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12 % incr.	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Rand/cent											
<b>Monthly Account for Household - 'Large' Household</b>	1										
Rates and services charges:											
Property rates		232.69	251.46	383.89	395.44	395.44	395.44	5.0%	415.21	444.28	475.38
Electricity: Basic levy		50.00	66.33	87.00	80.00	80.00	80.00	23.4%	98.72	120.44	146.93
Electricity: Consumption		345.00	458.30	689.66	860.50	860.50	860.50	23.4%	1 061.86	1 295.47	1 580.47
Water: Basic levy		37.83	40.86	44.13	47.66	47.66	47.66	8.0%	51.47	56.62	62.85
Water: Consumption		175.68	189.84	204.26	221.28	221.28	221.28	8.0%	238.98	262.88	291.80
Sanitation		222.93	240.79	240.00	254.40	254.40	254.40	10.0%	274.75	302.23	335.47
Refuse removal		75.71	81.77	88.31	97.14	97.14	97.14	8.0%	104.91	116.45	130.43
Other											
sub-total		1 139.84	1 329.35	1 737.25	1 956.42	1 956.42	1 956.42	14.8%	2 245.91	2 598.36	3 023.32
VAT on Services		127.00	150.90	189.47	218.54	218.54	218.54		256.30	301.57	356.71
Total large household bill:		1 266.84	1 480.25	1 926.72	2 174.96	2 174.96	2 174.96	15.0%	2 502.21	2 899.93	3 380.03
% increase/-decrease			16.8%	30.2%	12.9%	-	-		15.0%	15.9%	16.6%
<b>Monthly Account for Household - 'Small' Household</b>	2										
Rates and services charges:											
Property rates		32.85	35.50	18.82	39.49	39.49	39.49	5.0%	41.46	44.37	47.47
Electricity: Basic levy		50.00	66.33	-	105.96	105.96	105.96	23.4%	130.75	159.52	194.62
Electricity: Consumption		171.81	228.23	370.86	364.61	364.61	364.61	23.4%	449.93	548.91	669.67
Water: Basic levy		37.33	40.86	-	47.66	47.66	47.66	8.0%	51.47	56.62	62.85
Water: Consumption		139.08	150.29	162.26	175.29	175.29	175.29	8.0%	189.31	208.24	231.15
Sanitation		188.63	203.74	152.00	235.40	235.40	235.40	10.0%	254.23	279.66	310.42
Refuse removal		75.71	81.77	28.31	98.04	98.04	98.04	8.0%	105.88	117.53	131.63
Other											
sub-total		695.41	806.72	732.25	1 066.45	1 066.45	1 066.45	14.7%	1 223.05	1 414.85	1 647.81
VAT on Services		92.76	107.97	99.88	143.77	143.77	143.77		165.42	191.87	224.05
Total small household bill:		788.17	914.69	832.13	1 210.22	1 210.22	1 210.22	14.7%	1 388.47	1 606.72	1 871.86
% increase/-decrease			16.1%	(9.0%)	45.4%	-	-		14.7%	15.7%	16.5%
<b>Monthly Account for Household - 'Small' Household receiving free basic services</b>	3										
Rates and services charges:											
Property rates		32.85	35.50	18.82	19.40	19.40	19.40	5.0%	20.37	21.80	23.32
Electricity: Basic levy		-	-	-	-	-	-				
Electricity: Consumption		26.40	34.01	44.68	36.62	36.62	36.62	23.4%	45.19	55.13	67.26
Water: Basic levy		-	-	-	-	-	-				
Water: Consumption		-	-	-	-	-	-				
Sanitation		75.71	81.77	88.31	97.14	97.14	97.14	10.0%	104.91	116.45	130.43
Refuse removal											
Other											
sub-total		134.96	151.28	151.81	153.16	153.16	153.16	11.3%	170.47	193.38	221.01
VAT on Services		14.30	16.21	18.62	18.73	18.73	18.73		21.01	24.16	27.68
Total small household bill:		149.26	167.49	170.43	171.89	171.89	171.89	11.4%	191.48	217.54	248.69
% increase/-decrease			12.2%	1.8%	0.9%	-	-		11.4%	13.6%	14.3%

## 1.5 OPERATING EXPENDITURE FRAMEWORK

The Municipality's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the IDP priorities.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

Summary of operating expenditure by standard classification item

DESCRIPTION	2007/08	2008/09	2009/10	2010/2011		2011/2012 – 2013/2014 MTREF		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2011/12	Budget Year 2012/13	Budget Year 2013/14
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Employee related costs	192 370	242 641	303 219	336 519	350 568	385 974	417 022	450 573
Remuneration of councilors	12 821	13 810	15 604	18 089	17 289	18 672	20 166	21 779
Debt impairment	35 391	101 931	51 062	50 234	59 166	68 318	83 733	103 023
Depreciation and asset impairment	35 820	282 853	288 471	51 279	352 484	352 484	359 534	366 724
Finance charges	10 885	11 517	12 969	28 984	21 669	41 467	43 017	44 666
Bulk purchases	115 647	171 599	206 853	295 423	279 774	323 443	404 993	507 030
Other materials	0	0	0	0	0	34 315	35 001	35 701
Contracted services	50 999	95 201	169 498	110 287	108 993	172 306	191 625	314 439
Transfers and grants	209	198	256	0	0	0	0	0
Other expenditure	177 825	187 438	335 641	277 674	302 777	190 819	194 930	199 755
Loss on disposal of PPE	0	37	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>631 971</b>	<b>1 107 229</b>	<b>1 383 577</b>	<b>1 168 490</b>	<b>1 492 723</b>	<b>1 587 769</b>	<b>1 750 024</b>	<b>2 043 694</b>

The budgeted allocation for employee related costs for the 2011/11 financial year totals R386 million which equals 24% of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.08% for the 2011/12 financial year. An annual increase of 8% has been included in the two outer years of the MTREF. The Municipality has further allocated a 2.5% for additional critical positions to be funded in the 2011/12 financial year. As part of the municipality's plan for capacity building an additional 0.5% has been budgeted for learnership programme which will assist the municipality in addressing capacity challenges currently facing the institution.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget. Remuneration for councillors has increased by 8% and provision has been made for seven additional councillors due to the re-demarcation outcome.

The provision of debt impairment was determined based on an annual collection rate of 92% for the year 2010/11. For the 2011/12 financial year this amount equates to R68 million and escalates to R83 million by 2012/13, and by R103 million by 2013/14. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R352 million for the 2011/12 financial and equates to 22% of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

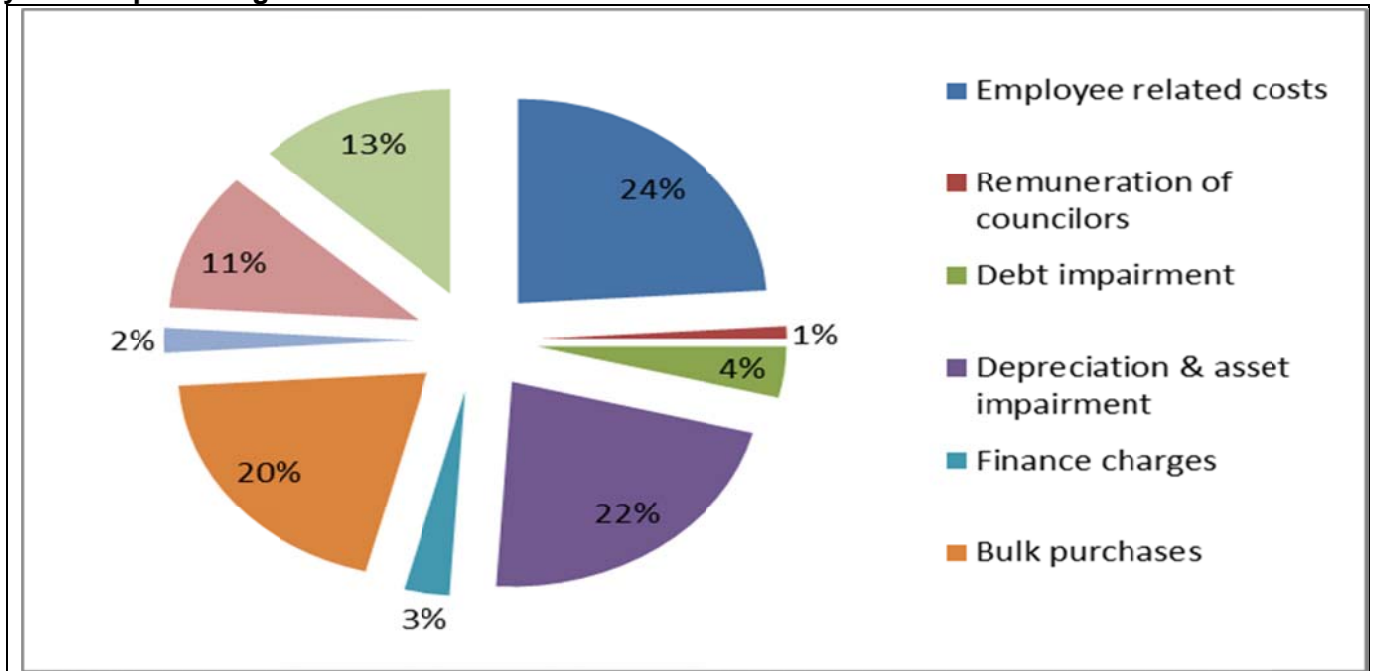
Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2.6% (R41 million) of operating expenditure excluding annual redemption for 2011/12 and increases to R43 million by 2012/13 and R44 million by 2013/14. The municipality has not been gearing enough during the previous financial years and the current gearing is standing at 16% and ideal situation will be gearing of about 25% – 30%.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from SembCorp (Silulumanzi) Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality infrastructure. For 2011/12 the appropriation against this group of expenditure is sitting at R34 million, R35 million for 2012/13 and R35 million for 2013/14 financial year.

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2011/12 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2011/12 financial year, this group of expenditure totals R172 million which is 10.8% of the total operating budget. For the two outer years growth has been limited to 10.9% and 15.3%. Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

The following table gives a breakdown of the main expenditure categories for the 2011/12 financial year as a percentage:



During the compilation of the 2011/12 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, the municipality is still having a challenge in separating the portion of employee related cost for repairs and maintenance; as a result this allocation is part of the overall employee related cost for council.

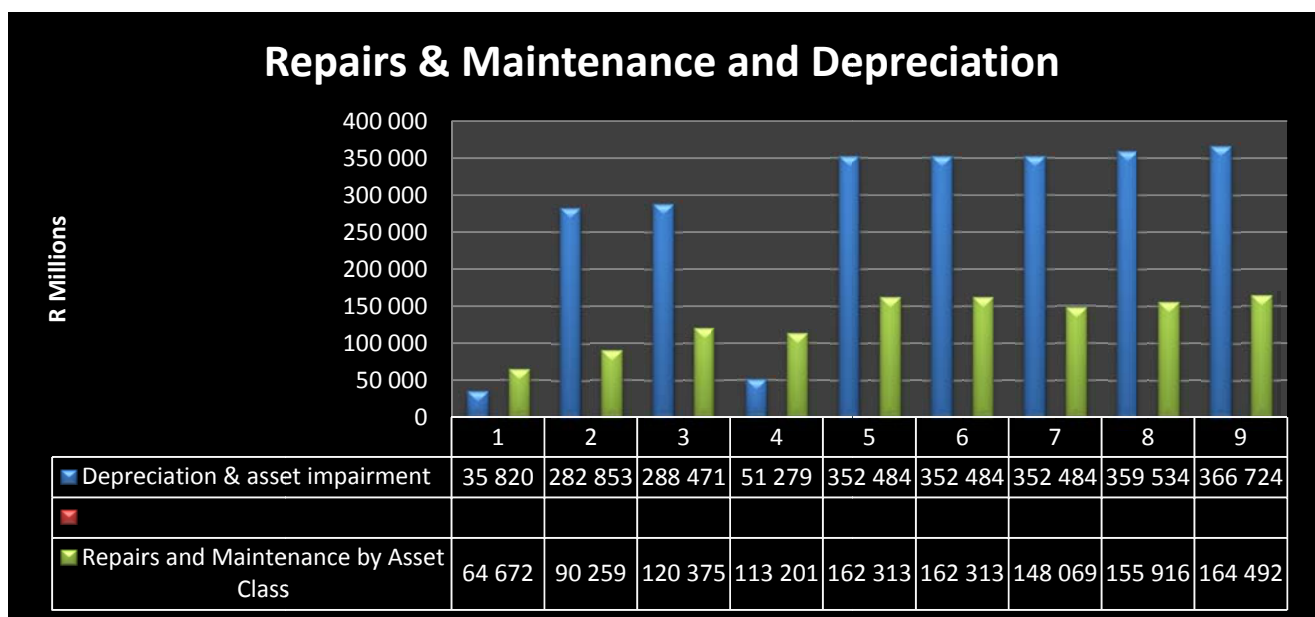
The table below provides a breakdown of the repairs and maintenance in relation to asset class:

#### Repairs and maintenance per asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Depreciation & asset impairment	35 820	282 853	288 471	51 279	352 484	352 484	352 484	359 534	366 724
Repairs and Maintenance by Asset Class	64 672	90 259	120 375	113 201	162 313	162 313	148 069	155 916	164 492
Infrastructure - Road transport	25 833	32 633	56 518	48 329	69 358	69 358	63 393	77 617	83 003
Infrastructure - Electricity	17 957	25 738	27 706	13 577	21 379	21 379	22 614	22 904	24 050
Infrastructure - Water	7 434	13 790	13 452	10 675	23 846	23 846	18 245	10 675	11 711
Infrastructure - Sanitation	7 000	10 162	10 767	7 399	9 528	9 528	9 927	10 458	10 841
Infrastructure - Other	4 335	4 984	8 399	27 823	32 561	32 561	26 839	26 238	25 123

Infrastructure	62 559	87 307	116 842	107 803	156 672	156 672	141 018	147 892	154 728
Community	856	1 524	1 845	2 541	2 652	2 652	3 524	4 125	5 241
Other assets	1 254	1 425	1 685	2 854	2 985	2 985	3 524	3 895	4 521
	2 110	2 949	3 530	5 395	5 637	5 637	7 048	8 020	9 762
<b>Total Repairs &amp; Maintenance</b>	<b>64 669</b>	<b>90 256</b>	<b>120 372</b>	<b>113 198</b>	<b>162 309</b>	<b>162 309</b>	<b>148 066</b>	<b>155 912</b>	<b>164 490</b>

For the 2011/12 financial year, 95% or R141 million of total repairs and maintenance will be spent on infrastructure assets. Roads infrastructure has received a significant proportion of this allocation totalling 42.81% (R63 million), followed by infrastructure other totalling 18.13% (R27million), Electricity at 19% (R23 million) and sanitation at 6.7% (R9, 9 million). Community assets has been allocated R3 million of total repairs and maintenance equating to 2.38%.



## FREE BASIC SERVICES: BASIC SOCIAL SERVICES PACKAGE

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 12 500 or more indigent households during the 2011/12 financial year, a process reviewed annually. Details relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement are contained in Table A 10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote: 2011/12 Medium-term capital budget per vote:

vote description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Capital expenditure - Vote Multi-year expenditure to be appropriated</u>										
COUNCIL GENERAL	-	-	474	-	-	-	-	-	-	-
MUNICIPAL MANAGER	266	-	1,693	-	-	-	-	-	-	-
FINANCIAL SERVICES	584	497	697	13,058	11,595	11,595	11,595	5,700	8,700	10,000
CORPORATE SUPPORT & CO-OPERATIVE GOVERNANCE	-	-	-	8,076	-	-	-	-	-	-
CORPORATE SERVICES	-	958	2,001	9,222	2,899	2,899	2,899	14,550	16,350	21,000
ECONOMIC DEVELOPMENT , TOURISM & TRADE	3,008	-	33,318	4,782	4,782	4,782	4,782	9,500	29,800	19,950
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT	-	-	-	-	-	-	-	750	3,750	7,700
HUMAN & COMMUNITY DEVELOPMENT	9,879	21,679	123,945	41,000	53,062	53,062	53,062	34,150	47,350	58,350
MUNICIPAL PLANNING & DEVELOPMENT	-	13,369	63	345	-	-	-	226,247	263,477	257,912
INFRASTRUCTURE SERVICES	319,243	592,426	566,114	615,905	573,463	573,463	573,463	136,684	105,446	165,042
OPERATIONS & MAINTAINANCE	48,295	81,552	125,074	14,896	10,481	10,481	10,481	-	-	-
Capital multi-year expenditure sub-total	381,275	710,483	853,380	707,284	656,282	656,282	656,282	427,581	474,873	539,953
<u>Single-year expenditure to be appropriated</u>										
FINANCIAL SERVICES	-	-	-	-	-	-	-	1,350	500	-
CORPORATE SERVICES	-	-	-	-	-	-	-	3,480	375	-
ECONOMIC DEVELOPMENT , TOURISM & TRADE	-	-	-	-	-	-	-	1,150	-	-
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT	-	-	-	-	-	-	-	4,450	4,550	5,559
HUMAN & COMMUNITY DEVELOPMENT	-	-	-	-	-	-	-	350	3,250	8,451
MUNICIPAL PLANNING & DEVELOPMENT	-	-	-	-	-	-	-	5,000	-	-
INFRASTRUCTURE SERVICES	-	-	-	-	-	-	-	14,462	21,160	47,170
Capital single-year expenditure sub-total	-	-	-	-	-	-	-	30,242	29,835	61,179
Total Capital Expenditure - Vote	381,275	710,483	853,380	707,284	656,282	656,282	656,282	457,823	504,708	601,132

For 2011/12 an amount of R151million has been appropriated for the development of infrastructure which represents 34% of the total capital budget. In the outer years this amount totals R126 million, 26% and R212 million, 36% respectively for each of the financial years. Municipal Planning and Development received highest allocation for 2011/2012 budget of R226 million which results to 49.4% of the total capital budget and the outer years also allocated R263 million and R257 million, which represent 57.5% and 56.3%

respectively. Human and Community Development has been allocated R34.5 million which represent 7.7% of the total budget for 2011/2012, and the allocation for the outer years has a budget of R50,6 million and R66.8 million which represent 10.1% and 11.3% respectively for each of the financial year.

Total new assets represent 51.8% or R237 million of the total capital budget while asset renewal equates to 48.2% or R220 million. Further detail relating to asset classes and proposed capital expenditure is contained in table A9 (Asset Management). In addition to the Table A9, Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

**Furthermore a detailed breakdown of the capital budget per project over the medium term.**

2011/2012 - 2013/2014 CAPITAL BUDGET						
DEPARTMENT	PROJECT DESCRIPTION	WARD	2011/2012	2012/2013	2013/2014	FUNDING SOURCE
Community Services	Establishment and upgrade of various testing and licensing stations	All Wards	5,000,000	5,500,000	5,500,000	CRR
Community Services	Backup generator for Nelspruit testing station	All Wards	350,000			CRR
Community Services	Establishment of Hazyview Fire Station	1	2,000,000	2,800,000		CRR
Community Services	Establishment of Matsulu Fire Station	27	3,000,000	1,250,000		CRR
Community Services	Procurement of high buildings fire truck	1-36			8,450,820	CRR
Community Services	Procurement of fire and rescue vehicles	1-36	750,000	400,000	800,000	CRR
Community Services	Upgrade of White River Fire Station	1-36		3,250,000		CRR
Community Services	Construction of Emergency centre	1-36		1,500,000	4,000,000	CRR
Community Services	Procurement of Jaws of life Rescue equipments	1-36	400,000	400,000	850,000	CRR
Community Services	Upgrade of Nelspruit Fire Station	1-36		2 450 400		CRR
Community Services	Upgrading of community halls	10, 23, 31, 35, 37	3 400 000	3 000 000	3,000,000	CRR
Community Services	Fencing of community facilities	9, 10, 14, 16, 27, 33, 38	500 000	450 000	300 000	CRR
Community Services	Construction of New Community Halls	1, 12, 22,	3,000,000	1,000,000	5 500 000	CRR
Community Services	Establishment of a Museum	14	3,000,000	6,000,000		Public Contribution
Urban and rural management	Purchase of land for establishment of Ngodwana Township	12	5,000,000			CRR
Community Services	Establishment of Waste Transfer Stations	1, 6, 18, 30, 38	7,000,000	8,000,000	12,000,000	CRR
Community Services	Refurbishment of Landsite Fencing	All Wards	3,000,000	3,500,000	8,000,000	CRR
Community Services	Waste Containers	1, 15, 30, 38	1,500,000	2,000,000	3,000,000	CRR
Community	Solid Waste Fleet	1, 15, 30, 38			10,600,000	CRR

Services			3,000,000	4,600,000		
Community Services	Ablution and Change Room Facilities	Ward 1 15 30 38	600,000	400,000	600,000	CRR
Community Services	Extension of Tekwane West Central Waste Disposal Site Phase 3	Ward 18	1,500,000	8,000,000	10,000,000	Loan
Community Services	Upgrade of Mbombela Stadium	14	10,000,000	11,000,000	12,700,000	CRR
Corporate Services	Employees Electronic Attendance Registers(EAR)	Institutional	700,000	200,000	-	CRR
Corporate Services	Development of e-Government system	Institutional	250,000	1,500,000	2,000,000	CRR
Corporate Services	Purchases of computer hardware	Institutional	1,200,000	1,200,000	1,500,000	CRR
Corporate Services	Upgrade of Customer Contact Centre	Institutional	200,000			CRR
Corporate Services	Refurbishment of Nelspruit Civic Centre Building	Institutional	3,000,000	3,500,000	5,000,000	CRR
Corporate Services	Refurbishment of CSIR Building	Institutional	400,000			CRR
Community Services	Upgrade of municipal fleet parking yard	Institutional	400,000	2,000,000		CRR
Corporate Services	Refurbishment of Aircon system in Matsulu Civic Centre	Institutional	200,000			CRR
Corporate Services	Refurbishment of Aircon system in the server room	Institutional	700,000			CRR
Corporate Services	Refurbishment of Carports at Nelspruit Civic Centre	Institutional	100,000			CRR
Corporate Services	Replacement of public address civic centre	Institutional	150,000			CRR
Corporate Services	Conversion of garages into offices matsulu	Institutional		375,000		CRR
Corporate Services	Renovation of red cross building white river	Institutional	300,000			CRR
Corporate Services	Purchase light vehicle	Institutional	180,000			CRR
Corporate Services	Upgrade and extension of the tetra two way radio system	Institutional	3,000,000	4,000,000	7,000,000	CRR
Corporate Services	Extension of the CCTV system	Institutional	3,000,000	2,000,000	2,000,000	CRR
Corporate Services	Development of enterprise information system (MIC)	Institutional	1,200,000	1,500,000	2,000,000	CRR
Corporate Services	Upgrade of computer server room	Institutional	500,000			CRR
Corporate Services	Expansion of Customer relations management system	Institutional	700,000	750,000		CRR
Corporate Services	Upgrading of ICT software	Institutional	1,000,000	1,200,000	1,500,000	CRR
Corporate Services	Construction of ablution block at Matsulu Civic Centre	Institutional	250,000			CRR
Corporate Services	Installation of palisade fence at Matsulu service centre	Institutional	500,000			CRR
Corporate Services	Project management system for managing all projects	Institutional	500,000	500,000		CRR
Financial Services	Financial Statements compiling system and upgrade of financial system	Institutional	300,000	500,000	1,000,000	CRR
Financial Services	Financial Documents Filing	Institutional			500,000	CRR

	storage and system		200,000	500,000		
Financial Services	Cost and Management Accounting System	Institutional	1,000,000	1,500,000	500,000	CRR
Financial Services	Upgrade of Projects Performance and Contract Management System	Institutional	500,000			CRR
Financial Services	Upgrade of Integrated Municipal Stores Management System	Institutional		500,000		CRR
Financial Services	Upgrade of Municipal Stores security measures	Institutional	500,000			CRR
Financial Services	Upgrade of electronic procurement system	Institutional	350,000			CRR
Financial Services	Contingency allocation	Institutional	3,000,000	5,000,000	7,000,000	CRR
Financial Services	Purchase of office equipments and furniture	Institutional	700,000	700,000	500,000	CRR
Financial Services	Replacement of insurance replaced assets	Institutional	500,000	500,000	500,000	CRR
Financial Services	Upgrade of Prepayment Management System	Institutional	100,000			CRR
Economic Development	Job linkage centre	18, 19, 2, 36, 11, 32, 35, 10	250,000	6,000,000	4,400,000	CRR
Economic Development	Marula Project	38, 39, 10, 35, 11, 34, 5, 22	50,000	5,000,000	5,000,000	CRR
Economic Development	Interactive Tourism Cultural Centre	15	5,000,000	12,000,000	500,000	CRR
Economic Development	Building of trade stalls - Kabokweni, Mahushu, Nyongane/Bhekiswayo	32, 11, 18, 19, 36, 11, 24, 25	1,500,000	1,500,000	2,000,000	CRR
Economic Development	Purchase barbers stalls	15, 14, 37, 30, 1, 3	300,000	350,000	350,000	CRR
Economic Development	Supply informal trade trolleys - Hazyview, Matsulu	1, 24	1,200,000	1,000,000		CRR
Economic Development	Building of trade stalls - Hazyview	1	750,000			CRR
Economic Development	Trading space for Informal Traders - White River	30	400,000			CRR
Economic Development	Fencing of ablution facility in Brown street	15			350,000	CRR
Economic Development	Trade Stalls - Corner Plaston/Karino (Airport)	11	300,000	200,000		CRR
Rural Development	Establishment of nursery facility				4,500,000	CRR
Rural Development	Establishment piggery facility				5,500,000	CRR
Rural Development	Establishment of nursery facility			8,000,000		CRR
Rural Development	Establishment of vegetable gardens		2,200,000			CRR
Rural Development	Establishment of a fishery project		1,500,000			CRR
Rural Development	Purchase agricultural plant and equipments		1,200,000			CRR
Semcorp/Concession Monitoring	SC 909 - Extensions To Beryl Zone (Maggiesdal)	15			2,286,513	Service Contribution
Semcorp/Concession Monitoring	SC 902 - Upgrades Central Zone - Owtw Pumpline To Old Pta Rd	15, 16, 17		1,500,000		Service Contribution

Semcorp/Concessi on Monitoring	SC 904 - Upgrades Sonheuwel Lower Ps & PI	15		750,000		Service Contribution
Semcorp/Concessi on Monitoring	SC 907 - Reinforcement Of Beryl & Saffier Zone (Stonehenge)	15		400,000	600,000	Service Contribution
Semcorp/Concessi on Monitoring	SC 909 - Water: Upgrading Of 'Saffier' Ps (Beryl Zone)	15		500,000		Service Contribution
Semcorp/Concessi on Monitoring	SC 1001 - WATER: UPGRADING VALENCIA PL (Phase 3 - N4 To Reservoir)	17			1,500,000	Service Contribution
Semcorp/Concessi on Monitoring	SC 1002 - Water: Upgrades To Giraffe Internal Network	16		1,800,000		Service Contribution
Semcorp/Concessi on Monitoring	SC 1201 - Water: Upgrades Sonheuwel Upper Plan	15			500,000	Service Contribution
Semcorp/Concessi on Monitoring	SC 707 - Sewer Main Outfall Upgrades - Sonheuwel & Central (Enos Mabuza)	15				Service Contribution
Semcorp/Concessi on Monitoring	SC 710 - White River Corridor Collector Sewers - Service Contributions	14; 17	500,000	2,300,000	6,000,000	Service Contribution
Semcorp/Concessi on Monitoring	SC 806 - Sewer Pump Station Upgrades - Riverside X21	14; 17	600,000			Service Contribution
Semcorp/Concessi on Monitoring	SC 901 - Sewer Main Outfall Upgrades - Ferreira Street (Phase 2) (Nes708)	16	1,200,000			Service Contribution
Semcorp/Concessi on Monitoring	SC 908 - Sewer Main Outfall Upgrades - Sonheuwel & Central (Impala Str)	15			1,272,500	Service Contribution
Semcorp/Concessi on Monitoring	SC 910 - Sewer: Extensions To Existing Networks Development Needs	14; 15; 16; 17	250,000	250,000	300,000	Service Contribution
Semcorp/Concessi on Monitoring	SC 911 - Sewer: Bethelur (Eagles View) Outfall Sewers	16	150,000			Service Contribution
Semcorp/Concessi on Monitoring	SC 912 - Sewer: Pump Station Upgrades - Stonehenge	15		500,000	500,000	Service Contribution
Semcorp/Concessi on Monitoring	SC 1013 -Sewer: Network Upgrading Ac Mains	14; 15; 16; 17		300,000	300,000	Service Contribution
City Planning and Development	Tekwane North bus route Phase 1a	18,19, 20	9,014,993			MIG
City Planning and Development	SandRiver to Nkambeni Bus route	25	2,000,000			MIG
City Planning and Development	Construction of Gutswa Kop Bus route	21	15,100,000			MIG
City Planning and Development	Various Foot bridges in Mbombela 2	20 &	9,056,019			MIG
City Planning and Development	Matsulu streets and bus routes - Ad hoc projects	26, 27, 28	15,000,000	19,548,874	27,000,000	MIG
City Planning and Development	Kanyamazane streets and bus routes - Ad hoc projects	18,19,20	15,834,082	20,000,000	27,000,000	MIG
City Planning and Development	Kanyamazane Precinct development	18,19,20	6,500,000			NDPG
City Planning and Development	Phumlani bus route	30	1,400,000	10,000,000	20,000,000	MIG
City Planning and Development	Nsikazi North household sanitation	various	12,000,000	15,000,000	18,000,000	MIG

City Planning and Development	Nsikazi south household sanitation	various	10,000,000	12,000,000	15,000,000	MIG
City Planning and Development	Matsulu, Portia, Mpakeni & Luphisi household sanitation	27,28	8,000,000	12,000,000	18,000,000	MIG
City Planning and Development	Zwelisha Mluti bus route	4	1,800,000	8,100,000	12,000,000	MIG
City Planning and Development	Tekwane North internal streets	18	900,000	4,050,000	10,000,000	MIG
City Planning and Development	Pedestrian bridges in Ward 2, 4 & 29	2,4 & 29	474,000	4,266,000	8,700,000	MIG
City Planning and Development	Vehicular and Pedestrian Crossing Structure in Nsikazi South		780,000	7,020,000	15,000,000	MIG
City Planning and Development	Vehicular and Pedestrian Crossing Structure in Nsikazi North		780,000	7,020,000	15,000,000	MIG
City Planning and Development	Kabokweni Waste water treatment works	31	22,793,000			MIG
City Planning and Development	Establishment of Public Transport Management Function - devolved from Provincial Dept of Transport	All Wards	45,000,000	20,000,000	20,000,000	PTIS
City Planning and Development	Hoxane water treatment works	1,3,5,6,7,9	4,000,000	5,000,000		CRR
City Planning and Development	Hazyview water treatment works	1	13,339,000			Loan
City Planning and Development	Elandshoek bus route	12	2,000,000	1,500,000		CRR
City Planning and Development	Nelspruit White River bulk water supply	30	4,000,000			Loan
City Planning and Development	Construction of Mataffin Trust internal water and sewerage networks	14	17,129,786	15,000,000		MIG
City Planning and Development	Upgrade of Matsulu water supply	27,28 and 13	4,788,557	16,971,393	7,182,836	MIG
City Planning and Development	Entokozweni -Kanyamazane: Extension of water network System	18	1,703,731	2,082,338		MIG
City Planning and Development	Tekwane North Bulk Water Supply	18	6,476,832	20,544,396	5,987,165	MIG
City Planning and Development	Counter-funding of MIG roads incubator projects (Tshuma, Matsulu Hambavangeli, Matsulu Mashonamini bus routes)	26,27		5,000,000	10,000,000	CRR
City Planning and Development	Kaapschehoop waste water treatment works	12	1,000,000	3,500,000	4,000,000	CRR
City Planning and Development	Installation of standby diesel generators at KaNyamazane, Nyongane water treatment works & pump stations		1,000,000	1,400,000	1,500,000	CRR
City Planning and Development	Re-instate damaged old Pienaar Pumpline		500,000	2,500,000	2,500,000	CRR
City Planning and Development	Construction of Nyongane Treatment Water Works 30Mg/l capacity: Phase I (15ml/d)		1,000,000	10,000,000	15,000,000	RBIG
City Planning and Development	Procurement of water SCADA system		1,200,000	1,000,000		CRR
City Planning and Development	Construction of 2 Mg/l package plant in Manzini		3,000,000			CRR
City Planning and Development	Construction of 1.5 Mg/l package in Majika		3,000,000			CRR

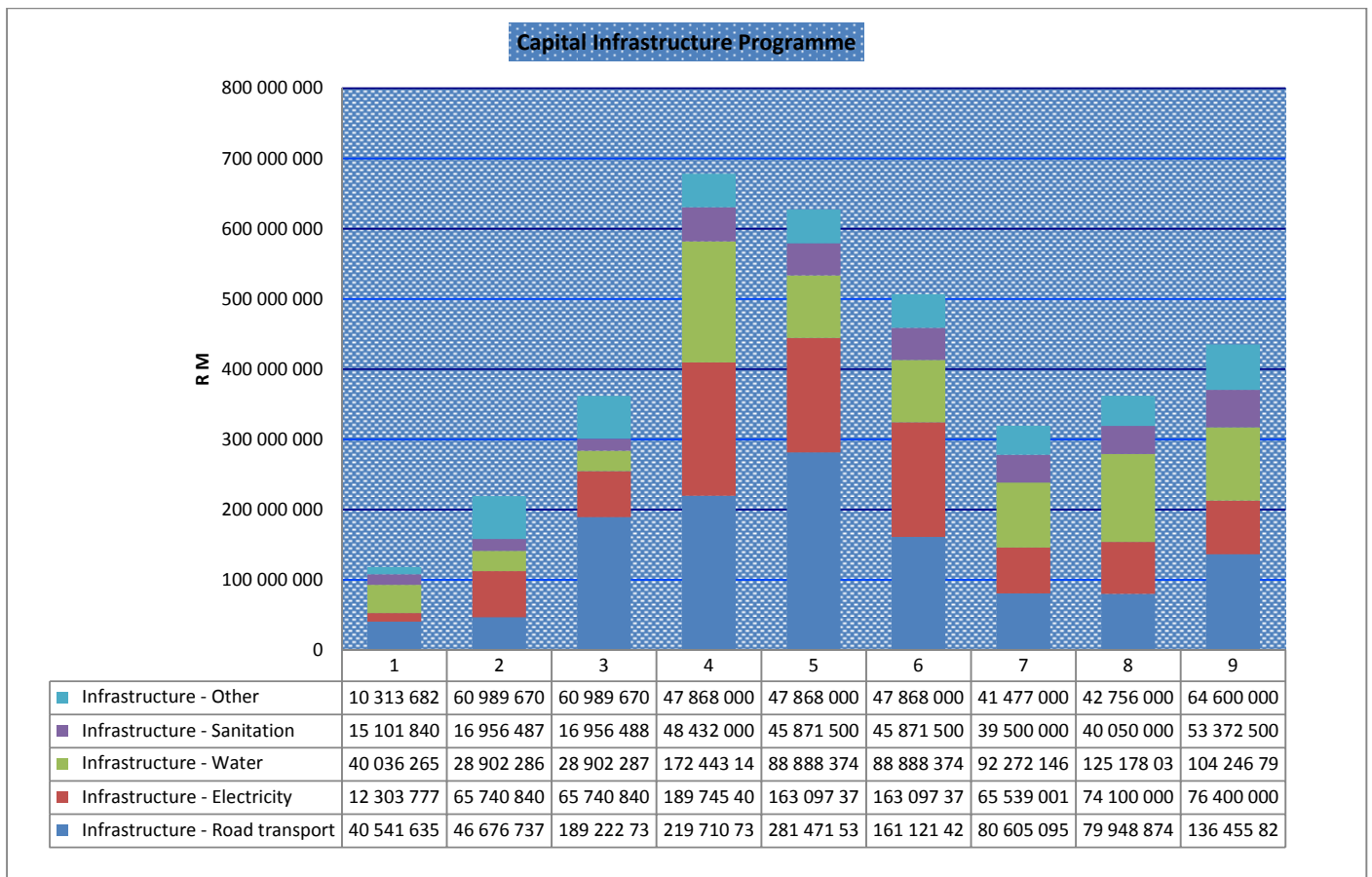
City Planning and Development	Construction of 2.0 Mg/l package in Mshadza (Feasibility and Design)		150,000	3,000,000		CRR
City Planning and Development	Construction of 2.0 Mg/l package in Jerusalem		2,500,000	1,000,000		CRR
City Planning and Development	Install boreholes in Nsikazi North and South			1,000,000	1,500,000	CRR
City Planning and Development	Water conservation and demand management strategy and implementation		3,500,000	4,000,000	8,000,000	CRR
City Planning and Development	Dwaleni water augmentation scheme	32		1,200,000		CRR
City Planning and Development	Backdoor / Mbonisweni water augmentation scheme	32	2,000,000			CRR
City Planning and Development	Upgrade clearwater sump at Kanyamazane wtw	19	4,500,000	3,000,000		RBIG
City Planning and Development	Increase capacity of Kanyamazane wtw (Feasibility study p1, Design and Construction)	20	500,000	7,469,908	32,391,796	RBIG
City Planning and Development	Refurbishment of Elandschoek Water Networks	12	700,000			CRR
City Planning and Development	Link old Mshadza plant to Phola reservoir	6	800,000			CRR
City Planning and Development	Registration of Water and Sanitation Servitudes		500,000	1,000,000	3,000,000	CRR
City Planning and Development	Procure 5 water tankers (5000 litre truck)			1,000,000	3,000,000	CRR
City Planning and Development	Upgrade water laboratories and procure equipment and package plant (Kanyamazane, White River & Hazyview)	19, 30 & 1	700,000	1,500,000	2,000,000	CRR
City Planning and Development	Additional Water pump - Pienaar with and upgrade Electric Motor Control Centre			1,500,000	2,000,000	CRR
City Planning and Development	Phumlani village water and sanitation connection	30	250,000			CRR
City Planning and Development	Additional 1ML/D module at Dwaleni package plant	32	1,500,000			CRR
City Planning and Development	Refurbishment of the Nsikazi regional scheme		5,000,000	4,000,000	5,000,000	RBIG
City Planning and Development	Procure of eight vehicles for water and sanitation		600,000	600,000	600,000	CRR
City Planning and Development	Refurbishment / construction of new standby accommodation		200,000	300,000	300,000	CRR
City Planning and Development	Fencing of reservoirs and pump stations		1,000,000	500,000	500,000	CRR
City Planning and Development	Monitoring system for water tankers			500,000		CRR
City Planning and Development	Refurbishment and Upgrade Mganduzweni package plant			500,000	1,000,000	MIG
City Planning and Development	KaMagugu network upgrade	17	1,000,000	1,500,000	1,000,000	CRR
City Planning and Development	SCADA	14,15,16,17,30	100,000	2,000,000	2,000,000	CRR
City Planning and Development	Alternative/Renewable Energy	12	1,500,000	2,000,000	3,000,000	CRR
City Planning and Development	Installation of streetlights (Ward 18)	18	95,000			CRR
City Planning and Development	Phumlani Electricity supply (bulk)	30				CRR

Development	supply)		500,000			
City Planning and Development	Ferreira substation deload	15,16,17	1,700,000			CRR
City Planning and Development	Sonheuwel substation load project	15,16,17	500,000			CRR
City Planning and Development	Town North Substation Transformer	30	7,500,000	3,000,000	6,000,000	Loan
City Planning and Development	Valencia Substation P2	17	6,500,000	6,000,000	7,000,000	CRR
City Planning and Development	Montana Switching Station P2	14	500,000	4,000,000	4,000,000	CRR
City Planning and Development	Boschrand Heights Switching Station	15,16,17	500,000	4,000,000	4,000,000	CRR
City Planning and Development	Energy Efficiency & Demand Side Management	14,15,16,17,30	8,000,000			DSM
City Planning and Development	(LPU - Automated Meter Read System)	14,15,16,17,30	1,600,000	2,000,000	2,000,000	CRR
City Planning and Development	Substations CCTV, fire protection & cable theft detection	14,15,16,17,30	600,000	1,000,000	4,000,000	CRR
City Planning and Development	Mini-substations upgrade	30	2,000,000	500,000	1,000,000	CRR
City Planning and Development	Substations maintenance and refurbishment	14,15,16,17,30	2,000,000	2,500,000	6,500,000	CRR
City Planning and Development	White River Electrical Offices & Ablution facilities	30	500,000	1,000,000	400,000	CRR
City Planning and Development	Nelspruit Electrical Offices & Drawing Office	14,15,16,17	800,000	1,000,000	400,000	CRR
City Planning and Development	Substation fencing (concrete)	14,15,16,17	500,000	1,000,000	2,000,000	CRR
City Planning and Development	Electrical Network Protection	14,15,16,17,30	1,500,000	2,000,000	1,000,000	CRR
City Planning and Development	Eskom POS (NMD upgrade) (Mataffin, Valencia, Nelsriver & Town North)	14,15,16,17,30	15,000,000	15,000,000	17,000,000	Loan
City Planning and Development	Ilanga - Matsafeni ring upgrade	14,15,16,17,30	3,000,000	1,500,000	-	Loan
City Planning and Development	Anderson - Civic Centre ring upgrade	14,15,16,17,30	1,500,000	2,000,000	-	CRR
City Planning and Development	Town Central - WRCE network upgrade (o/h to u/g)	30	1,100,000	4,000,000	4,200,000	CRR
City Planning and Development	Town North - Kingsview Ext3 network upgrade(o/h to u/g)	30	700,000	1,700,000		CRR
City Planning and Development	Rural overhead lines upgrade	30	500,000	1,400,000	1,000,000	CRR
City Planning and Development	Network Upgrade _Industrial area (White River)	30	800,000	800,000	900,000	CRR
City Planning and Development	MV feeder upgrade	14,15,16,17,30	1,000,000	1,500,000	2,500,000	CRR
City Planning and Development	Purchase of motor vehicle - bakkie	14,15,16,17,30	300,000	1,000,000	1,500,000	CRR
City Planning and Development	Cable trailers (7tons)	14,15,16,17,30	120,000	450,000	450,000	CRR
City Planning and Development	Personnel carrier (steel canopy)	14,15,16,17,30	50,000	400,000	100,000	CRR
City Planning and Development	Cherry -picker	14,15,16,17,30	650,000	1,000,000	1,000,000	CRR
City Planning and Development	Power quality meters	14,15,16,17,30	500,000	1,500,000	1,500,000	CRR
City Planning and Development	Distribution and safety equipment	14,15,16,17,30	100,000	300,000	100,000	CRR

City Planning and Development	Electrification of households (INEP)	1-13;18-29;31-34	10,034,000	5,500,000	5,000,000	INEP
City Planning and Development	Installation of Street lights (eastern areas)	1-13;18-29;31-33	1,000,000	1,500,000	2,000,000	CRR
City Planning and Development	Emergency generators	14,15,16,17,30	40,000			CRR
City Planning and Development	Resealing of roads - Nelspruit Area	14,15,16,17,38	2,000,000	3,500,000	5,000,000	CRR
City Planning and Development	Resealing of roads - White River & Rocky Drift	30,38	1,500,000	2,000,000	2,000,000	CRR
City Planning and Development	Resealing of roads - Hazzyview Area	1	1,000,000	1,000,000	1,000,000	CRR
City Planning and Development	Resealing of roads - Nsikazi South	2,4,10,11,31,32,33,35,36	1,500,000	3,000,000	3,000,000	CRR
City Planning and Development	Resealing of roads - Nsikazi North	18,19,20,21,22,23,26,29	1,500,000	3,000,000	3,000,000	CRR
City Planning and Development	Resealing of roads - Matsulu	13,24,28	1,000,000	1,000,000	1,000,000	CRR
City Planning and Development	Assesment & planning for replacement of collapsed stormwater pipes and culverts in West Acres x 7 & 8	15	500,000	3,000,000	2,000,000	CRR
City Planning and Development	Traffic Light Optimization - Nelspruit CBD	14,16,17	500,000			CRR
City Planning and Development	Traffic calming measures	All	500,000	1,000,000	1,000,000	CRR
City Planning and Development	Replace small plant & equipment	All	300,000	300,000	300,000	CRR
City Planning and Development	Replace of construction plant & equipment	All	1,500,000	2,000,000	2,500,000	CRR
City Planning and Development	Stormwater systems - Tekwane North	26	1,000,000	1,000,000		CRR
City Planning and Development	Purchase Spoornet property for PT Facility	14		6,500,000		CRR
City Planning and Development	Upgrading of Hazzyview water network	1	1,500,000			CRR
City Planning and Development	Upgrading and extension of WR sewer networks	30	3,000,000	1,800,000		CRR
City Planning and Development	Hazzyview WWTW & Outfall Sewer - Planning, design, acquisition of land.	1	4,000,000			CRR
City Planning and Development	Roads and Stormwater Kanyamzane PH1 (37,38,39 &40)	18	734,240			CRR
City Planning and Development	Roads and Stormwater Shabalala Nyongane PH1 (55,154 - 156, 197 & 198)	1	500,000	2,000,000		CRR
City Planning and Development	Stormwater low level bridge Clau-Clau (35)	35	1,000,000	3,100,000		CRR
City Planning and Development	Roads and Stormwater Legogote PH 1 (103 & 104)	8	500,000	3,600,000		CRR
City Planning and Development	Planning & design of roads & stormwater drainage - Hazzyview Vakansiedorp	1		500,000		CRR
City Planning and Development	Reconstruction of Road D2965 [Nkambeni-Nyongane]	1,25,39			3,000,000	MIG
City Planning and Development	Construction of Bus Route D2969 in Mgcobaneni	9			225,600	MIG
City Planning and Development	Roads and Stormwater Kanyamzane PH2 (1,2 & 16)	18		2,065,000		CRR

City Planning and Development	Roads and Stormwater Kanyamazane PH3 (16,52,17 &3)	18			2,950,000	CRR
City Planning and Development	Roads and Stormwater Shabala Nyongane PH3 (193-196)	1			4,050,000	CRR
City Planning and Development	Roads and Stormwater Kanyamazane PH4 (30,31 & 32)	20			2,950,000	CRR
City Planning and Development	Roads and Stormwater Msogwaba (177 & 178)	24			775,000	CRR
City Planning and Development	Stormwater Structures Nkambeni (140)	3		245,000		CRR
City Planning and Development	Roads and Stormwater Legogote PH 2 (101 & 102)	8		1,500,000	1,700,000	CRR
City Planning and Development	Roads and Stormwater Legogote PH 3 (187 & 188)	8			610,000	CRR
City Planning and Development	New Traffic light and Geometric alterations Cnr Ehmke, Russel and Nel Streets	15		2,000,000		CRR
City Planning and Development	New Traffic signals - Mostert/Van der Merwe Streets	15		350,000		CRR
City Planning and Development	New turning lane - Mostert/Van der Merwe Streets	15		250,000		CRR
City Planning and Development	New turning lanes and Geometric alterations - Cnr Piet Retief / Rood Streets	16			1,500,000	CRR
City Planning and Development	New traffic lights and Geometric alterations Cnr of Bester and Kragbron Streets	14		1,500,000		CRR
City Planning and Development	Construction of P166 Link Road between R40 & R37	14			15,000,000	CRR
City Planning and Development	Upgrade of Existing streets in Nelspruit - Kaapsehoop (from Enos Mabuza to N4)	15			4,000,000	CRR
City Planning and Development	Upgrade of Existing streets in Nelspruit - Graniet Street (from Bauhinia to N4)	15			2,000,000	CRR
City Planning and Development	Upgrade of intersection - Kaapschehoop Road with Samora Machel	15			2,500,000	CRR
	<b>TOTAL CAPITAL BUDGET</b>		<b>57,823,240</b>	<b>504,707,908</b>	<b>601,132,229</b>	

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



## 1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table A1 - Budget Summary

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	142 045	155 406	187 192	207 226	207 226	207 226	207 226	239 445	275 446	316 602
Service charges	238 401	296 934	401 690	507 239	507 239	507 239	507 239	614 561	771 217	971 190
Investment revenue	30 122	41 267	16 390	11 574	5 913	5 913	5 913	4 301	4 301	4 301
Transfers recognised - operational	161 951	179 798	397 738	266 873	329 183	329 183	329 183	298 622	325 248	349 331
Other own revenue	104 295	90 004	80 223	195 439	153 047	153 047	153 047	163 503	185 807	211 970
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>676 813</b>	<b>763 410</b>	<b>1 083 233</b>	<b>1 188 352</b>	<b>1 202 608</b>	<b>1 202 608</b>	<b>1 202 608</b>	<b>1 320 431</b>	<b>1 562 018</b>	<b>1 853 394</b>
Employee costs	192 370	242 642	303 219	336 519	350 569	350 569	350 569	385 974	417 023	450 573
Remuneration of councillors	12 821	13 811	15 605	18 089	17 289	17 289	17 289	18 673	20 166	21 780
Depreciation & asset impairment	35 821	282 854	288 471	51 279	352 484	352 484	352 484	352 484	359 534	366 725
Finance charges	10 885	11 517	12 970	28 984	21 670	21 670	21 670	41 467	43 018	44 666
Materials and bulk purchases	115 647	171 599	206 854	295 423	279 774	279 774	279 774	357 758	439 995	542 732
Transfers and grants	210	198	256	-	-	-	-	-	-	-
Other expenditure	264 217	384 609	556 203	438 196	470 937	470 937	470 937	431 443	470 288	617 217
<b>Total Expenditure</b>	<b>631 972</b>	<b>1 107 229</b>	<b>1 383 578</b>	<b>1 168 491</b>	<b>1 492 723</b>	<b>1 492 723</b>	<b>1 492 723</b>	<b>1 587 799</b>	<b>1 750 024</b>	<b>2 043 693</b>
<b>Surplus/(Deficit)</b>	<b>44 841</b>	<b>(343 819)</b>	<b>(300 345)</b>	<b>19 861</b>	<b>(290 115)</b>	<b>(290 115)</b>	<b>(290 115)</b>	<b>(267 368)</b>	<b>(188 006)</b>	<b>(190 299)</b>
Transfers recognised - capital	327 682	591 566	528 045	445 947	303 282	303 282	303 282	286 856	214 003	223 870
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>372 523</b>	<b>247 746</b>	<b>227 700</b>	<b>465 808</b>	<b>13 167</b>	<b>13 167</b>	<b>13 167</b>	<b>19 489</b>	<b>25 997</b>	<b>33 571</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>372 523</b>	<b>247 746</b>	<b>227 700</b>	<b>465 808</b>	<b>13 167</b>	<b>13 167</b>	<b>13 167</b>	<b>19 489</b>	<b>25 997</b>	<b>33 571</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>381 275</b>	<b>710 483</b>	<b>853 380</b>	<b>707 284</b>	<b>656 282</b>	<b>656 282</b>	<b>656 282</b>	<b>457 823</b>	<b>504 708</b>	<b>601 132</b>
Transfers recognised - capital	327 682	591 215	584 563	320 246	321 542	321 542	321 542	235 565	224 073	280 487
Public contributions & donations	-	-	15 593	8 420	16 570	16 570	16 570	8 200	14 300	13 259
Borrowing	19 326	22 252	130 940	121 708	122 421	122 421	122 421	50 339	35 600	48 600
Internally generated funds	34 267	97 016	122 284	256 911	195 750	195 750	195 750	163 719	230 735	258 786
<b>Total sources of capital funds</b>	<b>381 275</b>	<b>710 483</b>	<b>853 380</b>	<b>707 284</b>	<b>656 282</b>	<b>656 282</b>	<b>656 282</b>	<b>457 823</b>	<b>504 708</b>	<b>601 132</b>
<b>Financial position</b>										
Total current assets	532 240	647 603	276 673	384 177	274 639	274 639	274 639	207 088	211 035	265 351
Total non current assets	1 272 804	5 958 791	6 514 116	6 816 349	6 488 803	6 488 803	6 488 803	6 630 609	6 829 872	7 142 431
Total current liabilities	396 600	604 221	569 498	153 659	274 954	274 954	274 954	178 365	188 933	201 000
Total non current liabilities	76 414	151 827	143 246	366 046	264 428	264 428	264 428	286 367	314 100	333 712
Community wealth/Equity	1 332 030	5 850 345	6 078 044	6 680 821	6 224 061	6 224 061	6 224 061	6 372 965	6 537 874	6 873 071
<b>Cash flows</b>										
Net cash from (used) operating	560 418	1 296 223	227 678	490 839	426 373	426 373	426 373	458 571	560 530	699 443
Net cash from (used) investing	(376 545)	(1 145 993)	(843 558)	(563 095)	(434 415)	(434 415)	(434 415)	(495 465)	(563 872)	(678 515)
Net cash from (used) financing	(8 433)	(9 814)	(7 514)	188 640	158 640	158 640	158 640	28 400	47 860	57 307
<b>Cash/cash equivalents at the year end</b>	<b>426 796</b>	<b>567 213</b>	<b>(56 180)</b>	<b>203 596</b>	<b>94 418</b>	<b>94 418</b>	<b>94 418</b>	<b>85 925</b>	<b>130 442</b>	<b>208 677</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	444 480	587 230	(44 439)	159 096	62 271	62 271	62 271	98 013	143 255	222 259
Application of cash and investments	535 243	889 709	409 869	(88 743)	36 911	36 911	36 911	24 974	75 334	109 248
<b>Balance - surplus (shortfall)</b>	<b>(90 763)</b>	<b>(302 479)</b>	<b>(454 307)</b>	<b>247 839</b>	<b>25 360</b>	<b>25 360</b>	<b>25 360</b>	<b>73 039</b>	<b>67 921</b>	<b>113 012</b>
<b>Asset management</b>										
Asset register summary (WDV)	1 254 204	5 937 799	6 500 960	6 802 431	6 475 297	6 475 297	6 618 522	6 618 522	6 817 059	7 128 849
Depreciation & asset impairment	35 821	282 854	288 471	51 279	352 484	352 484	352 484	352 484	359 534	366 725
Renewal of Existing Assets	-	-	-	259 107	228 105	228 105	220 998	220 998	232 954	301 106
Repairs and Maintenance	64 672	90 259	120 375	113 202	162 313	162 313	148 069	148 069	155 917	164 492
<b>Free services</b>										
Cost of Free Basic Services provided	1 088	1 670	27 813	39 180	39 180	39 180	43 992	43 992	49 560	55 529
Revenue cost of free services provided	19 924	22 230	120 431	120 431	120 431	120 431	125 996	125 996	121 498	117 225
<b>Households below minimum service level</b>										
Water:	44 248	47 562	47 562	54 241	54 241	54 241	54 241	54 241	54 241	54 241
Sanitation/sewerage:	29 968	30 736	30 736	33 270	33 270	33 270	33 270	33 270	33 270	33 270
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	18 188	21 599	21 599	35 656	35 656	35 656	35 656	35 656	35 656	35 656

**Explanatory notes to Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows positive cash balance which means that the municipalities' obligation will be met for the rest of the MTREF after considering its application of cash and investments.
5. The section of Free Services shows that the amount spent on Free Basic Services by the municipality continues to increase while the revenue cost continues to decrease for the MTREF.

**Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		319 052	343 318	484 223	500 991	531 024	531 024	561 542	630 784	695 448
Executive and council		-	-	-	-	-	-	-	-	-
Budget and treasury office		316 758	342 643	484 014	499 148	529 181	529 181	559 481	628 532	692 986
Corporate services		2 294	676	209	1 843	1 843	1 843	2 061	2 252	2 462
<i>Community and public safety</i>		54 548	57 133	140 919	85 570	78 720	78 720	58 522	61 797	74 293
Community and social services		584	977	1 245	937	937	937	1 210	1 298	1 394
Sport and recreation		70	108	120	5 339	38 339	38 339	16 351	21 218	27 545
Public safety		51 584	55 797	139 283	77 800	37 950	37 950	32 074	29 854	35 352
Housing		-	-	-	-	-	-	-	-	-
Health		2 309	251	272	1 494	1 494	1 494	8 886	9 427	10 002
<i>Economic and environmental services</i>		387 415	657 590	584 446	540 498	388 907	388 907	372 663	312 223	336 334
Planning and development		4 519	1 589	2 308	1 494	1 494	1 494	2 728	3 001	3 301
Road transport		382 895	656 002	582 138	539 004	387 413	387 413	369 935	309 222	333 032
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		243 480	296 934	401 690	507 239	507 239	507 239	614 561	771 217	971 190
Electricity		181 278	227 314	328 997	425 302	425 302	425 302	525 034	669 886	854 876
Water		16 290	18 428	18 176	19 779	19 779	19 779	23 250	26 098	29 683
Waste water management		11 171	12 886	12 657	14 106	14 106	14 106	13 577	15 308	17 502
Waste management		34 742	38 306	41 861	48 052	48 052	48 052	52 700	59 925	69 129
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	1 004 495	1 354 976	1 611 278	1 634 299	1 505 890	1 505 890	1 607 288	1 776 021	2 077 264
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		154 887	204 026	269 589	264 963	301 746	301 746	256 679	276 062	304 220
Executive and council		103 556	23 670	139 917	34 697	44 028	44 028	27 048	29 549	32 248
Budget and treasury office		34 953	126 122	61 290	185 271	201 347	201 347	195 896	207 810	221 095
Corporate services		16 377	54 234	68 382	44 996	56 371	56 371	33 735	38 702	50 877
<i>Community and public safety</i>		181 373	219 885	253 193	303 178	362 044	362 044	362 012	397 003	466 399
Community and social services		69 414	100 790	124 412	137 098	203 109	203 109	220 160	247 638	306 893
Sport and recreation		7 158	8 043	13 986	17 395	17 558	17 558	9 388	9 999	10 657
Public safety		93 960	99 307	99 287	132 962	124 240	124 240	116 501	122 402	128 708
Housing		1 991	3 371	4 590	4 785	5 216	5 216	3 737	3 952	4 182
Health		8 850	8 374	10 918	10 937	11 921	11 921	12 225	13 012	15 959
<i>Economic and environmental services</i>		169 969	500 942	631 596	283 932	526 802	526 802	621 774	645 748	737 271
Planning and development		11 794	17 909	26 022	27 542	32 378	32 378	14 490	15 862	17 350
Road transport		156 762	482 284	604 818	255 820	493 825	493 825	606 656	629 210	719 195
Environmental protection		1 413	748	756	570	600	600	628	675	726
<i>Trading services</i>		125 743	182 218	225 196	313 574	299 559	299 559	344 810	428 497	532 884
Electricity		110 704	166 807	205 774	294 219	275 570	275 570	316 891	398 113	499 767
Water		4 943	4 792	1 079	1 204	4 204	4 204	6 552	6 880	7 264
Waste water management		3 279	1 658	1 658	1 442	1 572	1 572	1 698	1 868	2 054
Waste management		6 817	8 961	16 684	16 709	18 212	18 212	19 669	21 636	23 799
<i>Other</i>	4	-	158	4 004	2 844	2 573	2 573	2 525	2 715	2 920
<b>Total Expenditure - Standard</b>	3	631 972	1 107 229	1 383 578	1 168 491	1 492 723	1 492 723	1 587 799	1 750 024	2 043 693
<b>Surplus/(Deficit) for the year</b>		372 523	247 746	227 700	465 808	13 167	13 167	19 489	25 997	33 571

**Explanatory notes to Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case on Electricity, Water, Waste water functions and the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

**Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousand</b>										
<b>Revenue by Vote</b>	<b>1</b>									
COUNCIL		-	70	-	-	-	-	-	-	-
COUNCIL SUPPORT		117 864	151 160	198 406	248 098	248 098	248 098	6	7	7
MUNICIPAL MANAGER		-	-	51 353	-	-	-	-	-	-
FINANCIAL SERVICES		188 282	232 437	232 064	522 194	428 766	458 748	559 475	628 525	692 979
STRATEGIC GOVERNANCE & CORPORATE SUPPORT		-	-	-	1 184	1 184	1 184	-	-	-
CORPORATE SUPPORT & CO-OPERATIVE GOVERNANCE		559	1 090	-	792	792	792	-	-	-
CORPORATE SERVICES		559	1 090	1 973	792	792	792	62	65	69
ECONOMIC DEVELOPMENT , TOURISM & TRADE		2 294	685	2 515	11	11	11	105	115	127
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT		3 021	2 545	-	6 394	6 394	6 394	11 173	11 970	12 824
HUMAN & COMMUNITY DEVELOPMENT		347 062	342 734	257 027	158 354	143 533	128 711	166 150	191 632	222 454
MUNICIPAL PLANNING & DEVELOPMENT		4 529	2 206	-	24 258	19 258	19 258	5 278	5 766	6 302
INFRASTRUCTURE SERVICES		5 262	38 360	-	0	0	0	-	-	-
OPERATIONS & MAINTAINANCE		335 062	582 597	867 939	672 221	657 061	641 902	865 038	937 941	1 142 502
Example 14 - Vote14		-	-	-	-	-	-	-	-	-
Example 15 - Vote15		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>2</b>	<b>1 004 495</b>	<b>1 354 976</b>	<b>1 611 278</b>	<b>1 634 299</b>	<b>1 505 890</b>	<b>1 505 890</b>	<b>1 607 288</b>	<b>1 776 021</b>	<b>2 077 264</b>
<b>Expenditure by Vote to be appropriated</b>	<b>1</b>									
COUNCIL		17 250	20 077	98 188	23 394	23 394	23 394	14 267	15 822	17 510
COUNCIL SUPPORT		92 414	9 127	39 275	18 088	18 088	18 088	9 917	10 662	11 466
MUNICIPAL MANAGER		842	2 454	2 454	2 547	2 547	2 547	2 236	2 334	2 439
FINANCIAL SERVICES		117 401	564 088	61 290	194 737	372 119	381 051	201 620	216 461	234 022
STRATEGIC GOVERNANCE & CORPORATE SUPPORT		(21)	4 027	4 027	8 723	8 723	8 723	9 775	2 148	2 446
CORPORATE SUPPORT & CO-OPERATIVE GOVERNANCE		119 467	126 010	12 522	14 391	14 391	14 391	14 318	15 650	16 968
CORPORATE SERVICES		5 239	33 301	52 565	35 265	35 265	35 265	52 586	59 294	73 367
ECONOMIC DEVELOPMENT , TOURISM & TRADE		58 701	115 613	63 860	5 564	5 564	5 564	8 908	18 892	19 651
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT		4 555	2 603	2 603	4 319	4 319	4 319	4 315	4 877	5 159
HUMAN & COMMUNITY DEVELOPMENT		211 597	219 283	271 278	303 177	302 527	301 876	367 921	402 083	474 271
MUNICIPAL PLANNING & DEVELOPMENT		-	-	41 315	36 447	36 447	36 447	33 858	41 927	40 929
INFRASTRUCTURE SERVICES		3 208	8 989	22 944	20 255	20 255	20 255	33 375	28 196	27 657
OPERATIONS & MAINTAINANCE		1 320	1 657	711 256	501 584	649 085	640 804	834 703	931 677	1 117 811
Example 14 - Vote14		-	-	-	-	-	-	-	-	-
Example 15 - Vote15		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>631 972</b>	<b>1 107 229</b>	<b>1 383 578</b>	<b>1 168 491</b>	<b>1 492 723</b>	<b>1 492 723</b>	<b>1 587 799</b>	<b>1 750 024</b>	<b>2 043 693</b>
<b>Surplus/(Deficit) for the year</b>	<b>2</b>	<b>372 523</b>	<b>247 746</b>	<b>227 700</b>	<b>465 808</b>	<b>13 167</b>	<b>13 167</b>	<b>19 489</b>	<b>25 997</b>	<b>33 571</b>

**Explanatory notes Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. This shows that some departments within the municipality are not revenue generating departments and therefore such departments will always have deficits where their expenditures exceed revenue, but the revenue generating departments will have revenue higher than the expenditure at department level which later contributes to the overall surplus of the municipality.

**Table A4 - Budgeted Financial Performance (revenue and expenditure)**

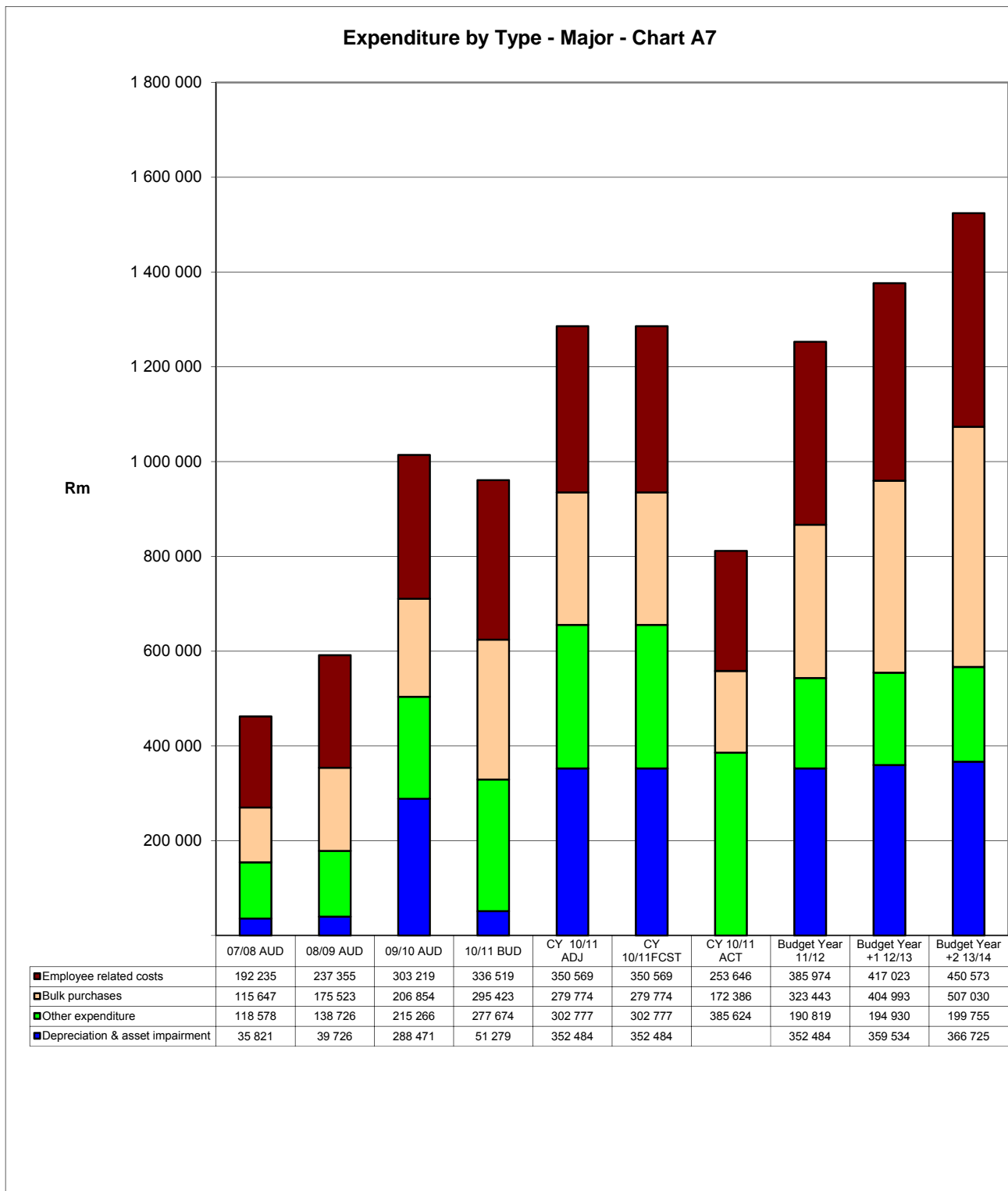
Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source											
Property rates	2	142 045	155 406	187 192	207 226	207 226	207 226	207 226	239 445	275 446	316 602
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	176 198	227 314	328 997	425 302	425 302	425 302	425 302	525 034	669 886	854 876
Service charges - water revenue	2	16 290	18 428	18 176	19 779	19 779	19 779	19 779	23 250	26 098	29 683
Service charges - sanitation revenue	2	11 171	12 886	12 657	14 106	14 106	14 106	14 106	13 577	15 308	17 502
Service charges - refuse revenue	2	34 742	38 306	41 861	48 052	48 052	48 052	48 052	52 700	59 925	69 129
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		1 932	1 596	1 412	2 705	19 205	19 205	19 205	23 064	28 504	35 454
Interest earned - external investments		30 122	41 267	16 390	11 574	5 913	5 913	5 913	4 301	4 301	4 301
Interest earned - outstanding debtors		16 391	30 810	20 765	25 112	17 700	17 700	17 700	18 339	20 173	22 190
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		3 385	4 557	3 023	4 372	4 372	4 372	4 372	3 742	4 301	4 944
Licences and permits		2 258	6	9	7 234	5 264	5 264	5 264	5 299	6 093	7 007
Agency services		47 476	18 834	20 137	83 811	61 074	61 074	61 074	71 688	82 441	94 807
Transfers recognised - operational		161 951	179 798	397 738	266 873	329 183	329 183	329 183	298 622	325 248	349 331
Other revenue	2	31 363	34 202	34 638	56 805	35 031	35 031	35 031	31 818	34 741	38 014
Gains on disposal of PPE		1 489	-	238	15 400	10 400	10 400	10 400	9 555	9 555	9 555
Total Revenue (excluding capital transfers and contributions)		676 813	763 410	1 083 233	1 188 352	1 202 608	1 202 608	1 202 608	1 320 431	1 562 018	1 853 394
Expenditure By Type											
Employee related costs	2	192 370	242 642	303 219	336 519	350 569	350 569	350 569	385 974	417 023	450 573
Remuneration of councillors		12 821	13 811	15 605	18 089	17 289	17 289	17 289	18 673	20 166	21 780
Debt impairment	3	35 392	101 931	51 063	50 234	59 166	59 166	59 166	68 318	83 733	103 023
Depredation & asset impairment	2	35 821	282 854	288 471	51 279	352 484	352 484	352 484	352 484	359 534	366 725
Finance charges		10 885	11 517	12 970	28 984	21 670	21 670	21 670	41 467	43 018	44 666
Bulk purchases	2	115 647	171 599	206 854	295 423	279 774	279 774	279 774	323 443	404 993	507 030
Other materials	8			-					34 315	35 002	35 702
Contracted services		51 000	95 202	169 499	110 287	108 994	108 994	108 994	172 306	191 625	314 439
Transfers and grants		210	198	256							
Other expenditure	4, 5	177 826	187 439	335 642	277 674	302 777	302 777	302 777	190 819	194 930	199 755
Loss on disposal of PPE		-	37	-							
Total Expenditure		631 972	1 107 229	1 383 578	1 168 491	1 492 723	1 492 723	1 492 723	1 587 799	1 750 024	2 043 693
Surplus/(Deficit)											
		44 841	(343 819)	(300 345)	19 861	(290 115)	(290 115)	(290 115)	(267 368)	(188 006)	(190 299)
Transfers recognised - capital	6	327 682	591 566	528 045	445 947	303 282	303 282	303 282	286 856	214 003	223 870
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		372 523	247 746	227 700	465 808	13 167	13 167	13 167	19 489	25 997	33 571
Taxation											
Surplus/(Deficit) after taxation		372 523	247 746	227 700	465 808	13 167	13 167	13 167	19 489	25 997	33 571
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		372 523	247 746	227 700	465 808	13 167	13 167	13 167	19 489	25 997	33 571
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		372 523	247 746	227 700	465 808	13 167	13 167	13 167	19 489	25 997	33 571

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R1.3 billion in 2011/12 and escalates to R1.8 billion by 2013/14. This represents a year-on-year increase of 18% for the 2012/13 financial year and 18.65% for the 2013/14 financial year.

2. Revenue to be generated from Electricity rates is R525 million in the 2011/12 financial year and increases to R854 million by 2013/14 which represents 46% of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality.
3. Charges relating to property rates, water, sanitation and refuse removal totals R328 million for the 2011/12 financial year and increasing to R432 million by 2013/14. For the 2011/12 financial year charges amount to 24.9% of the total revenue base and grow by 1.54% per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 8.92% and 7.4% for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.

5. The following graph illustrates the major expenditure items per type.



6. Bulk purchases have increased over the 2007/08 to 2013/14 period escalating from R115 million to R323. The bulk purchase expenditure is mainly expenditure for bulk electricity purchase from Eskom with an increase of 26.71 % by Eskom coming into effect from 01 July 2011.
7. The employees' remuneration cost will be R386 million in 2011/2012 financial year due to an increase by R44 million (13%) and expenditure to the total operating budget is 24%. The employees remuneration cost will increase to R451 million in 2013/2014 financial year and the expenditure to the total operating budget will be 22%. The employees' remuneration is fairly lower than the national norm of 30%, it is however causing a serious challenge to the municipality in executing its programmes and priorities ensuring the achievement of the service delivery objectives.

Included on the employees' remuneration is an allocation of R4.8 million over the medium-term for the recruitment of young qualified and inexperienced graduates, diplomats and artisans on a learnership programme in order to close the gap of shortage of qualified and skilled employees in the municipality, especially in the field of engineering, property valuation, environmental management and town planning.

8. The depreciation of assets has increased drastically by 578% when compared to 2009/2010 financial year. The increase on the depreciation is due to the completion of the projects undertaken during 2009/2010 financial year to update the municipal asset register. The depreciation cost has a huge impact on the tariffs for property rates and services charge, therefore to ensure the ratepayers and consumers of services are not burden in one financial year with the huge increase; the depreciation cost has been factored on the tariffs over a period of six years. The impact of the depreciation will be an average of 2.5% on the tariffs.
9. A total of R157 million has been allocated during the 2011/2012 financial year for repairs and maintenance of the municipal infrastructure and assets. The budget on repairs and maintenance has increased by 14% when it is compared to the R138 million in 2010/2011 financial year. This high increase in depreciation due the update of the asset register will force the municipality to budget for a deficit in the statement of financial performance where depreciation amount to 22% of the total operating budget, but the municipality has a strategy to get rid of the deficit in the next three to five years.

**Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

vote description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Capital expenditure - Vote Multi-year expenditure to be appropriated</u>										
COUNCIL	-	-	474	-	-	-	-	-	-	-
MUNICIPAL MANAGER	266	-	1,693	-	-	-	-	-	-	-
FINANCIAL SERVICES	584	497	697	13,058	11,595	11,595	11,595	5,700	8,700	10,000
CORPORATE SUPPORT & CO-OPERATIVE GOVERNANCE	-	-	-	8,076	-	-	-	-	-	-
CORPORATE SERVICES	-	958	2,001	9,222	2,899	2,899	2,899	14,550	16,350	21,000
ECONOMIC DEVELOPMENT , TOURISM & TRADE	3,008	-	33,318	4,782	4,782	4,782	4,782	9,500	29,800	19,950
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT	-	-	-	-	-	-	-	750	3,750	7,700
HUMAN & COMMUNITY DEVELOPMENT	9,879	21,679	123,945	41,000	53,062	53,062	53,062	34,150	47,350	58,350
MUNICIPAL PLANNING & DEVELOPMENT	-	13,369	63	345	-	-	-	226,247	263,477	257,912
INFRASTRUCTURE SERVICES	319,243	592,426	566,114	615,905	573,463	573,463	573,463	136,684	105,446	165,042
OPERATIONS & MAINTAINANCE	48,295	81,552	125,074	14,896	10,481	10,481	10,481	-	-	-
Capital multi-year expenditure sub-total	381,275	710,483	853,380	707,284	656,282	656,282	656,282	427,581	474,873	539,953
<u>Single-year expenditure to be appropriated</u>										
FINANCIAL SERVICES	-	-	-	-	-	-	-	1,350	500	-
CORPORATE SERVICES	-	-	-	-	-	-	-	3,480	375	-
ECONOMIC DEVELOPMENT , TOURISM & TRADE	-	-	-	-	-	-	-	1,150	-	-
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT	-	-	-	-	-	-	-	4,450	4,550	5,559
HUMAN & COMMUNITY DEVELOPMENT	-	-	-	-	-	-	-	350	3,250	8,451
MUNICIPAL PLANNING & DEVELOPMENT	-	-	-	-	-	-	-	5,000	-	-
INFRASTRUCTURE SERVICES	-	-	-	-	-	-	-	14,462	21,160	47,170
Capital single-year expenditure sub-total	-	-	-	-	-	-	-	30,242	29,835	61,179
Total Capital Expenditure - Vote	381,275	710,483	853,380	707,284	656,282	656,282	656,282	457,823	504,708	601,133

**TABLE A5: CAPITAL BUDGET BY STANDARD CLASSIFICATION & FUNDING SOURCE**

<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		269 649	534 062	520 529	23 509	23 509	23 509	23 509	36 750	57 225	47 050
Executive and council		269 065	519 327	501 074	-	-	-	-			
Budget and treasury office		584	14 735	19 455	13 058	13 058	13 058	13 058	15 700	34 050	21 600
Corporate services		-	-	-	10 451	10 451	10 451	10 451	21 050	23 175	25 450
<i>Community and public safety</i>		6 970	14 479	23 444	63 334	63 334	63 334	63 334	59 500	36 100	42 601
Community and social services		4 293	1 658	3 005	59 060	59 060	59 060	59 060	14 500	16 100	22 601
Sport and recreation		-	433	785	-	-	-	-	-	-	-
Public safety		2 677	12 388	19 654	4 274	4 274	4 274	4 274	45 000	20 000	20 000
Housing			-		-	-	-	-	-	-	-
Health		-	-		-	-	-	-	-	-	-
<i>Economic and environmental services</i>		45 758	36 789	79 928	179 987	146 987	146 987	146 987	185 566	204 065	293 333
Planning and development		6 723	-	13 248	24 132	24 132	24 132	24 132	19 500	17 000	12 700
Road transport		39 035	36 789	66 680	155 855	122 855	122 855	122 855	166 066	187 065	280 633
Environmental protection						-	-	-			
<i>Trading services</i>		58 898	125 153	229 479	440 454	422 452	422 452	422 452	176 007	207 318	218 148
Electricity		11 410	35 959	65 176	164 634	157 150	157 150	157 150	73 169	70 200	78 500
Water		31 631	65 433	118 598	174 669	164 151	164 151	164 151	69 108	95 618	95 448
Waste water management		12 949	16 119	29 216	73 082	73 082	73 082	73 082	17 130	15 000	-
Waste management		2 908	7 641	16 489	28 070	28 070	28 070	28 070	16 600	26 500	44 200
<i>Other</i>											
Total Capital Expenditure - Standard	3	381 275	710 483	853 380	707 284	656 282	656 282	656 282	457 823	504 708	601 132
<b>Funded by:</b>											
National Government		327 682	591 215	578 563	264 058	311 456	311 456	311 456	224 565	214 003	223 870
Provincial Government			-	6 000	-	-	-	-	-	-	-
District Municipality			-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-		56 187	10 085	10 085	10 085	11 000	10 070	56 617
Transfers recognised - capital	4	327 682	591 215	584 563	320 246	321 542	321 542	321 542	235 565	224 073	280 487
Public contributions & donations	5			15 593	8 420	16 570	16 570	16 570	8 200	14 300	13 259
Borrowing	6	19 326	22 252	130 940	121 708	122 421	122 421	122 421	50 339	35 600	48 600
Internally generated funds		34 267	97 016	122 284	256 911	195 750	195 750	195 750	163 719	230 735	258 786
Total Capital Funding	7	381 275	710 483	853 380	707 284	656 282	656 282	656 282	457 823	504 708	601 132

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2011/12 R422 million has been allocated of the total R457 million capital budget, which totals 93.3%. This allocation escalates to R474 million in 2012/12 and R539 million in 2013/14.
3. Single-year capital expenditure has been appropriated at R30 million for the 2011/12 financial year R29 million and R61 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds the availability of internal reserves will depend largely on collection of outstanding debts which has been projected at 36% on average per annum over the medium term. For 2011/12, capital transfers totals R286 million and decrease to R214 (-25%) million by 2012/13 and increase again to R223 million (4.61 per cent) by 2013/14. Borrowing has been provided at R50 million, R35 million and R48 million over the MTREF with internally generated funding totaling R163 million, R230 million and R258 million for each of the respective financial years of the MTREF.

**Table A6 - Budgeted Financial Position**

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		426 796	567 212 597	25 864 540	203 596	94 418	94 418	94 418	85 925	130 442	208 677
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	51 029	45 290	53 256	54 268	54 268	54 268	54 268	59 913	35 668	24 053
Other debtors		41 010	21 341 048	182 987	111 102	111 102	111 102	111 102	46 399	29 183	15 934
Current portion of long-term receivables		-	-	-	-	-	-	-	-	-	-
Inventory	2	13 406	13 758 629	14 564 714	15 211	14 851	14 851	14 851	14 851	15 742	16 687
<b>Total current assets</b>		<b>532 240</b>	<b>647 603</b>	<b>276 673</b>	<b>384 177</b>	<b>274 639</b>	<b>274 639</b>	<b>274 639</b>	<b>207 088</b>	<b>211 035</b>	<b>265 351</b>
<b>Non current assets</b>											
Long-term receivables		915	974 883	1 413 601	1 418	1 418	1 418	1 418	-	-	-
Investments		17 684	20 017 418	11 741 844	12 500	12 088	12 088	12 088	12 088	12 813	13 582
Investment property		-	351 610 885	348 675 778	-	347 208	347 208	347 208	347 208	347 208	347 208
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	1 254 204	5 583 104	6 148 909	6 797 175	6 122 218	6 122 218	6 122 218	6 265 513	6 469 851	6 781 641
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	94 770	78 975	-	71	71	71	-	-	-
Intangible		-	2 988 937	3 296 212	5 256	5 801	5 801	5 801	5 801	-	-
Other non-current assets		-	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>		<b>1 272 804</b>	<b>5 958 791</b>	<b>6 514 116</b>	<b>6 816 349</b>	<b>6 488 803</b>	<b>6 488 803</b>	<b>6 488 803</b>	<b>6 630 609</b>	<b>6 829 872</b>	<b>7 142 431</b>
<b>TOTAL ASSETS</b>		<b>1 805 044</b>	<b>6 606 394</b>	<b>6 790 788</b>	<b>7 200 526</b>	<b>6 763 442</b>	<b>6 763 442</b>	<b>6 763 442</b>	<b>6 837 698</b>	<b>7 040 907</b>	<b>7 407 782</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	-	-	82 045 108	57 000	44 235	44 235	44 235	-	-	-
Borrowing	4	9 590	7 789	21 861	4 816	19 172	19 172	19 172	40 772	43 219	46 676
Consumer deposits		5 568	1 642 314	1 859 900	1 734	1 860	1 860	1 860	1 860	1 971	2 090
Trade and other payables	4	381 442	592 796	461 669	87 876	207 453	207 453	207 453	133 500	141 510	150 001
Provisions		-	1 994 000	2 063 000	2 233	2 233	2 233	2 233	2 233	2 233	2 233
<b>Total current liabilities</b>		<b>396 600</b>	<b>604 221</b>	<b>569 498</b>	<b>153 659</b>	<b>274 954</b>	<b>274 954</b>	<b>274 954</b>	<b>178 365</b>	<b>188 933</b>	<b>201 000</b>
<b>Non current liabilities</b>											
Borrowing		76 414	67 817	46 283	263 672	160 379	160 379	160 379	164 366	191 228	208 501
Provisions		-	84 011	96 963	102 373	104 049	104 049	104 049	122 002	122 873	125 211
<b>Total non current liabilities</b>		<b>76 414</b>	<b>151 827</b>	<b>143 246</b>	<b>366 046</b>	<b>264 428</b>	<b>264 428</b>	<b>264 428</b>	<b>286 367</b>	<b>314 100</b>	<b>333 712</b>
<b>TOTAL LIABILITIES</b>		<b>473 014</b>	<b>756 049</b>	<b>712 744</b>	<b>519 705</b>	<b>539 381</b>	<b>539 381</b>	<b>539 381</b>	<b>464 733</b>	<b>503 034</b>	<b>534 712</b>
<b>NET ASSETS</b>	5	<b>1 332 030</b>	<b>5 850 345</b>	<b>6 078 044</b>	<b>6 680 821</b>	<b>6 224 061</b>	<b>6 224 061</b>	<b>6 224 061</b>	<b>6 372 965</b>	<b>6 537 874</b>	<b>6 873 071</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		227 329 416	5 850 345	6 078 044	6 680 821	6 224 061	6 224 061	6 224 061	6 372 965	6 537 874	6 873 071
Reserves	4	1 104 701	-	-	-	-	-	-	-	-	-
Minorities' interests		-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>1 332 030</b>	<b>5 850 345</b>	<b>6 078 044</b>	<b>6 680 821</b>	<b>6 224 061</b>	<b>6 224 061</b>	<b>6 224 061</b>	<b>6 372 965</b>	<b>6 537 874</b>	<b>6 873 071</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table SA3 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

**Table A7 - Budgeted Cash Flow Statement**

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		614 328	1 138 964	155 135	1 120 478	990 294	990 294	990 294	1 086 661	1 288 901	1 539 621
Government - operating	1	161 951	179 798	397 738	281 291	312 919	312 919	312 919	298 622	325 248	349 331
Government - capital	1	327 682	591 566	528 045	274 970	285 984	285 984	285 984	234 065	236 003	253 870
Interest		30 122	72 078	37 155	11 574	2 900	2 900	2 900	-	-	-
Dividends		-	-		-						
Payments											
Suppliers and employees		(562 780)	(674 666)	(877 424)	(1 174 287)	(1 150 659)	(1 150 659)	(1 150 659)	(1 129 246)	(1 257 461)	(1 410 574)
Finance charges		(10 885)	(11 517)	(12 970)	(23 187)	(15 064)	(15 064)	(15 064)	(31 531)	(32 162)	(32 805)
Transfers and Grants	1	-	-						-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		560 418	1 296 223	227 678	490 839	426 373	426 373	426 373	458 571	560 530	699 443
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		1 795	-	-	15 400	6 290	6 290	6 290	-	-	-
Decrease (Increase) in non-current debtors		5 475	-		-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	(59)	(439)	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(2 540)	(2 333)	8 276	-	-	-	-	-	-	-
Payments											
Capital assets		(381 275)	(1 143 600)	(851 395)	(578 495)	(440 705)	(440 705)	(440 705)	(495 465)	(563 872)	(678 515)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(376 545)	(1 145 993)	(843 558)	(563 095)	(434 415)	(434 415)	(434 415)	(495 465)	(563 872)	(678 515)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	57 000	57 000	57 000	57 000			
Borrowing long term/refinancing		-	884	272	200 000	170 000	170 000	170 000	50 000	70 000	80 000
Increase (decrease) in consumer deposits		1 140	-		-	-	-	-			
Payments											
Repayment of borrowing		(9 573)	(10 699)	(7 786)	(68 360)	(68 360)	(68 360)	(68 360)	(21 600)	(22 140)	(22 694)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(8 433)	(9 814)	(7 514)	188 640	158 640	158 640	158 640	28 400	47 860	57 307
NET INCREASE/(DECREASE) IN CASH HELD		175 439	140 417	(623 393)	116 385	150 599	150 599	150 599	(8 494)	44 517	78 235
Cash/cash equivalents at the year begin:	2	251 357	426 796	567 213	87 211	(56 181)	(56 181)	(56 181)	94 419	85 925	130 442
Cash/cash equivalents at the year end:	2	426 796	567 213	(56 180)	203 596	94 418	94 418	94 418	85 925	130 442	208 677

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

- It can be seen that the cash levels of the Municipality fell during the 2009/ 2010 by R623 million but since gained a positive cash position of R78 million by 2013/2014.
- The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
- Cash and cash equivalents totals R85 million as at the end of the 2011/12 financial year and escalates to R208 million by 2013/14.

**Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	426 796	567 213	(56 180)	203 596	94 418	94 418	94 418	85 925	130 442	208 677
Other current investments > 90 days		(0)	(0)	(0)	(57 000)	(44 235)	(44 235)	(44 235)	-	-	-
Non current assets - Investments	1	17 684	20 017	11 742	12 500	12 088	12 088	12 088	12 088	12 813	13 582
<b>Cash and investments available:</b>		<b>444 480</b>	<b>587 230</b>	<b>(44 439)</b>	<b>159 096</b>	<b>62 271</b>	<b>62 271</b>	<b>62 271</b>	<b>98 013</b>	<b>143 255</b>	<b>222 259</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		235 056	414 185	141 285	-	-	-	-	-	-	-
Unspent borrowing											
Statutory requirements	2	21 260	2 668								
Other working capital requirements	3	278 927	472 857	268 584	(88 743)	36 911	36 911	36 911	24 974	75 334	109 248
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>535 243</b>	<b>889 709</b>	<b>409 869</b>	<b>(88 743)</b>	<b>36 911</b>	<b>36 911</b>	<b>36 911</b>	<b>24 974</b>	<b>75 334</b>	<b>109 248</b>
<b>Surplus(shortfall)</b>		<b>(90 763)</b>	<b>(302 479)</b>	<b>(454 307)</b>	<b>247 839</b>	<b>25 360</b>	<b>25 360</b>	<b>25 360</b>	<b>73 039</b>	<b>67 921</b>	<b>113 012</b>

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
- From the table it can be seen that for the period 2007/08 to 2009/10 the deficit deteriorated from R77 million to R454 million.

6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was not funded owing to the significant deficit.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2011/12 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modeled to progressively move from a deficit of R454 million in 2009/2010 to a surplus of R113 million by 2013/14.

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	381 275	710 834	853 380	448 177	428 177	428 177	236 825	271 754	300 026
Infrastructure - Road transport		40 542	46 677	189 223	127 731	112 731	112 731	42 615	32 400	68 456
Infrastructure - Electricity		12 304	65 741	65 741	131 924	126 924	126 924	31 239	28 200	22 300
Infrastructure - Water		40 036	28 902	28 902	84 448	84 448	84 448	44 041	72 604	49 572
Infrastructure - Sanitation		15 102	16 956	16 956	38 716	38 716	38 716	30 000	39 000	51 000
Infrastructure - Other		10 314	60 990	60 990	43 428	43 428	43 428	12 400	20 950	21 900
Infrastructure		118 297	219 266	361 812	426 248	406 248	406 248	160 295	193 154	213 228
Community		245 769	440 760	440 760	11 986	11 986	11 986	12 500	7 000	5 500
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	17 209	50 807	50 807	3 949	3 949	3 949	63 530	70 100	78 298
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	5 995	5 995	5 995	500	1 500	3 000
<u>Total Renewal of Existing Assets</u>	2	-	-	-	259 107	228 105	228 105	220 998	232 954	301 106
Infrastructure - Road transport		-	-	-	91 979	168 740	168 740	48 390	56 049	78 500
Infrastructure - Electricity		-	-	-	57 821	36 173	36 173	34 300	45 900	54 100
Infrastructure - Water		-	-	-	87 995	4 440	4 440	48 231	52 574	54 675
Infrastructure - Sanitation		-	-	-	9 716	7 156	7 156	38 577	22 856	45 073
Infrastructure - Other		-	-	-	4 440	4 440	4 440	9 500	1 050	2 373
Infrastructure		-	-	-	251 952	220 949	220 949	178 998	178 429	234 720
Community		-	-	-	7 156	7 156	7 156	10 700	12 000	12 000
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	31 300	42 525	54 387
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		40 542	46 677	189 223	219 711	281 472	281 472	91 005	88 449	146 956
Infrastructure - Electricity		12 304	65 741	65 741	189 745	163 097	163 097	65 539	74 100	76 400
Infrastructure - Water		40 036	28 902	28 902	172 443	88 888	88 888	92 272	125 178	104 247
Infrastructure - Sanitation		15 102	16 956	16 956	48 432	45 872	45 872	68 577	61 856	96 073
Infrastructure - Other		10 314	60 990	60 990	47 868	47 868	47 868	21 900	22 000	24 273
Infrastructure		118 297	219 266	361 812	678 199	627 197	627 197	339 293	371 583	447 948
Community		245 769	440 760	440 760	19 142	19 142	19 142	23 200	19 000	17 500
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	17 209	50 807	50 807	3 949	3 949	3 949	94 830	112 625	132 685
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	5 995	5 995	5 995	500	1 500	3 000
TOTAL CAPITAL EXPENDITURE - Asset class	2	381 275	710 834	853 380	707 284	656 282	656 282	457 823	504 708	601 132
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	235 086	3 762 476	4 138 724	4 159 171	3 387 007	3 387 007	3 506 520	3 059 909	3 030 705
Infrastructure - Electricity		50 311	118 637	130 501	669 803	669 803	669 803	636 783	955 174	1 050 692
Infrastructure - Water		315 502	344 005	385 908	444 318	1 013 558	1 013 558	964 914	947 371	1 042 108
Infrastructure - Sanitation		69 930	188 570	207 427	263 481	666 189	666 189	732 808	1 017 611	1 119 373
Infrastructure - Other		95 434	165 537	182 091	27 273	51 928	51 928	57 121	85 682	94 250
Infrastructure		766 264	4 579 225	5 044 650	5 564 046	5 788 486	5 788 486	5 898 146	6 065 748	6 337 127
Community		456 347	934 473	1 027 920	1 130 712	231 628	231 628	254 791	280 270	308 297
Heritage assets		78	77	77	77	77	77	-	-	-
Investment properties		-	351 611	348 676	-	347 208	347 208	347 208	347 208	347 208
Other assets		31 515	69 330	76 263	102 341	102 026	102 026	112 575	123 833	136 216
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	95	79	-	71	71	-	-	-
Intangibles		-	2 989	3 296	5 256	5 801	5 801	5 801	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	1 254 204	5 937 799	6 500 960	6 802 431	6 475 297	6 475 297	6 618 522	6 817 059	7 128 849
EXPENDITURE OTHER ITEMS										
<u>Depreciation &amp; asset impairment</u>		35 821	282 854	288 471	51 279	352 484	352 484	352 484	359 534	366 725
<u>Repairs and Maintenance by Asset Class</u>	3	64 672	90 259	120 375	113 202	162 313	162 313	148 069	155 917	164 492
Infrastructure - Road transport		25 834	32 634	56 519	48 329	69 359	69 359	63 393	77 617	83 004
Infrastructure - Electricity		17 958	25 738	27 706	13 578	21 380	21 380	22 614	22 905	24 050
Infrastructure - Water		7 435	13 791	13 452	10 676	23 846	23 846	18 245	10 676	11 711
Infrastructure - Sanitation		7 001	10 162	10 767	7 400	9 529	9 529	9 927	10 459	10 841
Infrastructure - Other		4 335	4 985	8 400	27 823	32 562	32 562	26 840	26 239	25 123
Infrastructure		62 562	87 309	116 845	107 806	156 676	156 676	141 020	147 895	154 730
Community		856	1 525	1 845	2 541	2 652	2 652	3 525	4 126	5 241
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	1 254	1 425	1 685	2 854	2 985	2 985	3 525	3 895	4 521
TOTAL EXPENDITURE OTHER ITEMS		100 493	373 113	408 847	164 481	514 798	514 798	500 554	515 451	531 217
% of capital exp on renewal of assets		0.0%	0.0%	0.0%	57.8%	53.3%	53.3%	93.3%	85.7%	100.4%
Renewal of Existing Assets as % of deprecn"		0.0%	0.0%	0.0%	505.3%	64.7%	64.7%	62.7%	64.8%	82.1%
R&M as a % of PPE		5.2%	1.6%	2.0%	1.7%	2.7%	2.7%	2.4%	2.4%	2.4%
Renewal and R&M as a % of PPE		5.0%	2.0%	2.0%	5.0%	6.0%	6.0%	6.0%	6.0%	7.0%

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. For the 2011/12 financial year, 95% or R141 million of total repairs and maintenance will be spent on infrastructure assets. Roads infrastructure has received a significant proportion of this allocation totalling 42.81% (R63 million), followed by infrastructure other totalling 18.13% (R27 million), Electricity at 19% (R23 million) and sanitation at 6.7% (R10 million). Community assets have been allocated R3,5 million of total repairs and maintenance equating to 2.38%.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

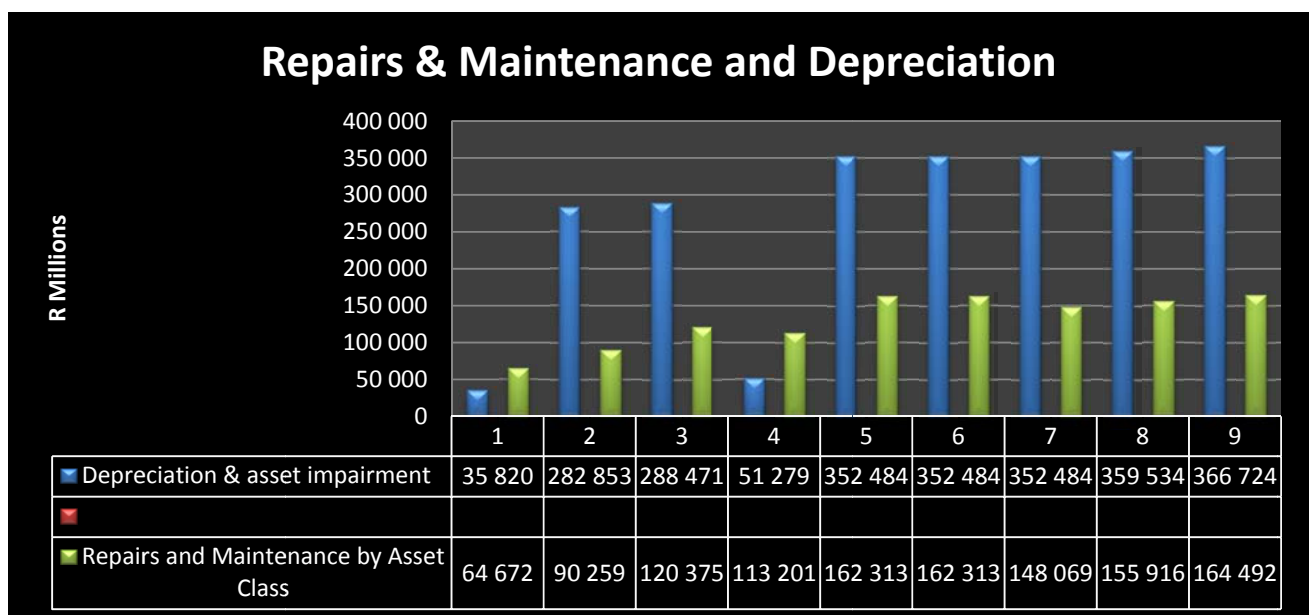


Table A10 - Basic Service Delivery Measurement

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Household service targets (000)</b>	1									
<u>Water:</u>										
Piped water inside dwelling		51	58	58	65	65	65	69	69	69
Piped water inside yard (but not in dwelling)		63	68	68	78	78	78	83	83	83
Using public tap (at least min.service level)	2	43	47	47	54	54	54			
Other water supply (at least min.service level)	4	7	6	6	7	7	7			
<i>Minimum Service Level and Above sub-total</i>		164	180	180	204	204	204	152	152	152
Using public tap (< min.service level)	3	43	47	47	54	54	54	54	54	54
Other water supply (< min.service level)	4	–	–	–	–	–	–	–	–	–
No water supply		1	1	1	1	1	1	1	1	1
<i>Below Minimum Service Level sub-total</i>		44	48	48	54	54	54	54	54	54
<b>Total number of households</b>	5	208	227	227	258	258	258	206	206	206
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)		51	59	59	74	74	74	74	74	74
Flush toilet (with septic tank)		4	4	4	1	1	1	1	1	1
Chemical toilet		6	7	7	8	8	8	8	8	8
Pit toilet (ventilated)		92	99	99	111	111	111	111	111	111
Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
<i>Minimum Service Level and Above sub-total</i>		153	170	170	194	194	194	194	194	194
Bucket toilet		–	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)		18	20	20	22	22	22	22	22	22
No toilet provisions		12	11	11	11	11	11	11	11	11
<i>Below Minimum Service Level sub-total</i>		30	31	31	33	33	33	33	33	33
<b>Total number of households</b>	5	183	201	201	227	227	227	227	227	227
<u>Energy:</u>										
Electricity (at least min.service level)		5	5	5	7	7	7	7	7	7
Electricity - prepaid (min.service level)		0	0	0	0	0	0	0	0	0
<i>Minimum Service Level and Above sub-total</i>		6	6	6	7	7	7	7	7	7
Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
Other energy sources		–	–	–	–	–	–	–	–	–
<i>Below Minimum Service Level sub-total</i>		–	–	–	–	–	–	–	–	–
<b>Total number of households</b>	5	6	6	6	7	7	7	7	7	7
<u>Refuse:</u>										
Removed at least once a week		59	67	–	99	99	99	–	–	–
<i>Minimum Service Level and Above sub-total</i>		59	67	–	99	99	99	–	–	–
Removed less frequently than once a week		9	10	10	15	15	15	15	15	15
Using communal refuse dump		–	2	2	7	7	7	7	7	7
Using own refuse dump		4	5	5	6	6	6	6	6	6
Other rubbish disposal		–	–	–	–	–	–	–	–	–
No rubbish disposal		5	5	5	8	8	8	8	8	8
<i>Below Minimum Service Level sub-total</i>		18	22	22	36	36	36	36	36	36
<b>Total number of households</b>	5	77	88	22	135	135	135	36	36	36
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		4	6	6	9	9	9	9	9	9
Sanitation (free minimum level service)		4	6	6	9	9	9	9	9	9
Electricity/other energy (50kwh per household per month)		4	6	6	9	9	9	9	9	9
Refuse (removed at least once a week)		1	1	1	2	2	2	2	2	2
<b>Cost of Free Basic Services provided (R'000)</b>	8									
Water (6 kilolitres per household per month)		389	425	21 778	32 198	32 198	32 198	35 418	39 314	43 245
Sanitation (free sanitation service)		–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per household per month)		698	1 245	4 500	5 355	5 355	5 355	6 785	8 278	10 099
Refuse (removed once a week)		–	–	1 535	1 627	1 627	1 627	1 789	1 968	2 185
<b>Total cost of FBS provided (minimum social package)</b>		1 088	1 670	27 813	39 180	39 180	39 180	43 992	49 560	55 529
<b>Highest level of free service provided</b>										
Property rates (R value threshold)		–	–	–	80 000	80 000	80 000	80 000	80 000	80 000
Water (kilolitres per household per month)		6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000
Sanitation (kilolitres per household per month)		6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000
Sanitation (Rand per household per month)		–	–	–	–	–	–	–	–	–
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		–	–	–	–	–	–	–	–	–
<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)		–	–	3 019	3 019	3 019	3 019	3 373	3 205	3 044
Property rates (other exemptions, reductions and rebates)		–	–	77 651	77 651	77 651	77 651	86 589	82 260	78 147
Water		17 981	19 482	32 198	32 198	32 198	32 198	35 418	35 418	35 418
Sanitation		389	425	581	581	581	581	616	616	616
Electricity/other energy		855	1 077	5 355	5 355	5 355	5 355	–	–	–
Refuse		698	1 245	1 627	1 627	1 627	1 627	–	–	–
Municipal Housing - rental rebates		–	–	–	–	–	–	–	–	–
Housing - top structure subsidies		–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
<b>Total revenue cost of free services provided (total social package)</b>	6	19 924	22 230	120 431	120 431	120 431	120 431	125 996	121 498	117 225

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. It is anticipated that these Free Basic Services will cost the municipality R45 million in 2011/12, increasing to R55 million in 2013/14. This is covered by the municipality's equitable share allocation from national government.
2. In addition to the Free Basic Services, the Municipality also 'gives' households R125 million in free services in 2011/12, and it decreases to R117 million in 2013/14. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

## Part 2 – Supporting Documentation

### 1.8 OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### BUDGET PROCESS OVERVIEW

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 25 August 2010. Key dates applicable to the process were:

##### Planning Phase

The Mayor tabled in Council the required the IDP and budget time schedule on 05 September 2010 Resolution (A26) The following process was followed during the review of MLM IDP and Budget for 2010/2011.

##### Analysis Phase

Community based Planning (CBP) meetings took place during October 2010 until January 2011. The main aim of the meetings was to give the communities an opportunity to raise priorities issues that need to be addressed on the 2011/2012 budget.

##### Strategy Phase

**24 – 25 February 2011:** Joint strategic planning session of the Mayoral committee and Executive Management was held and it was agreed that they should integrate the IDP process and the Sakha

iMbombela turnaround strategy to fulfil the municipality's vision, taking into consideration five Key Performance Areas of the municipality, which are Basic Services, Local Economic Development, Institutional Development & Transformation, Financial Viability and Management and Good Governance & Public Participation.

### **Project Phase**

**17 March 2011:** The municipality also held an internal Lekgotla on 17 March 2011, with internal Departments and Members of Mayoral Committee to prioritise projects as per the availability of funds on the budget. It was agreed that the 2011/12 budget is going to be determined by the top seven (7) community priorities as which are Water, Road and Storm water, Electricity, Sanitation, Community facilities, Waste Management, Local Economic Development and Rural Development.

### **Integration Phase**

The municipality has integrated its capital projects as informed by the vision, objectives and strategies developed and resources available. In addressing the notion of duplication and operating in silos, the municipality has included projects from the district municipality, sector departments and Eskom. The municipality is also in the process of developing and reviewing its sector plans.

These among others, include Spatial Development Framework, Local Economic Development Strategy, Comprehensive Infrastructure Plan and Disaster Management that will assist the municipality in achieving its vision.

### **Approval Phase**

**30 March 2011:** The draft IDP and Budget for 2011/12 was adopted by Council on 30 March 2011, Resolution: A (22). The document was advertised on the Lowvelder Newspaper dated 5 April 2011 and Mpumalanga News dated 7 April 2011. Moreover, it was placed in the municipal website and in all the municipal service centres i.e Nelspruit Civic Centre, White River Civic Centre, Hazyview Civic Centre, Kabokweni Civic Centre, Kanyamazane Civic Centre and Matsulu Civic Centre.

**11 May 2011:** The final IDP and Budget for 2011/12 – 2013/14 medium-term revenue and expenditure framework was tabled and approved by the municipal council for implementation on 01 July 2011.

## **IDP AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN**

It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and

- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2011/12 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2011/12 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

## **FINANCIAL MODELLING AND KEY PLANNING DRIVERS**

As part of the compilation of the 2011/12 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2011/12 MTREF:

- Municipality's growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2010/11 adjustments budget and performance against the SDBIP
- Cash Flow Management
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 and 55 has been taken into consideration in the planning and prioritisation process.

## **COMMUNITY CONSULTATION**

Chapter 4 of the MSA states that municipalities must develop a culture of municipal governance that complements formal representative government with a system of participatory governance, and must encourage, and create conditions for the local community to participate in the affairs of the municipality including the preparation, implementation and review of its IDP, Budget and Performance Management System. It furthermore states that participation by the local community must take place through Political Structures, Ward Committees and Councillors. In compliance to this, MLM has adopted Public participation policy, Community Based Planning policy and policy on Ward

## **COMMITTEES AND PARTICIPATION**

The participation of communities is driven through a Ward Committee System managed by the Public Participation Unit in the Office of the Speaker and the IDP Representative Forum. The central role of Ward Committees is to facilitate local community participation in decisions which affect the local community, to articulate local community interests and to represent these interests within the municipal governing structures.

MLM's public participation process comprises of registration of ward needs, specific Ward Imbizo(s) and participation sessions and comments on the IDP.

Key to the participation process is a Needs Database developed per ward and managed by the Office of the Executive Mayor and Municipal Manager through the Corporate Strategy (IDP Unit). This database comprises of an inventory of development issues and needs recorded in each of the wards in Mbombela over a number of years. This Needs Database serves as the basis for community consultation and participation in the municipality and as inputs to the Departmental Business Planning process. During each annual IDP review process, Ward Committees and Ward Councillors are given an opportunity to update the priority issues and needs for their specific ward areas. This process takes place at the beginning of the revision process. The updated Needs Database informs the business plan formulation process conducted by various line functional departments of the municipality.

The draft 2011/12 MTREF as tabled before Council on 31 March 2011 for community consultation was published on the municipality's website, and hard copies were made available at Service centre offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

## **1.9 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH THE IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

## **NATIONAL PRIORITIES**

The President on his 2011 State of the Nation Address mentioned five national priorities which should be embedded by all spheres of government on the planning and budgeting processes for the medium-term. The government has introduced the New Growth Plan that will guide the work of all spheres of government in achieving the goals relating these national priorities within the premise that the creation of decent work is at the centre of our economic policies.

The five national priorities are;

- (a) Creating decent jobs;
- (b) Improving the quality of education;
- (c) Enhancing health services;
- (d) Enhancing rural development and agrarian; and
- (e) Fight against crime and corruption.

In His address, the President has further declared 2011 as a year of job creation. The municipalities should align their programmes with the job creation imperative.

To achieve this national priority, municipalities are urged to when drafting 2011/2012 budgets to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the EPWP. The municipality ought to focus on maximizing its contribution to job creation by;

- (a) Ensuring that service delivery and capital project use labour intensive methods wherever appropriate.
- (b) Ensuring that service providers use labour intensive approaches.
- (c) Supporting labour intensive LED projects.
- (d) Participating fully in the EPWP/National youth service plan NYDP.
- (e) Implementing interns programmes to provide young people with on-the-job training

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's seven strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

## IDP STRATEGIC OBJECTIVES

### MLM development priority and objectives

IDP Development priority	IDP Development objective
Institutional development and transformation	<ul style="list-style-type: none"> <li>To build strong sustainable governance and institutional structures and arrangements</li> <li>To redefine strategic macro leadership and coordination structures involving the local, district, provincial and national government</li> </ul>
Infrastructure and sustainable services	<ul style="list-style-type: none"> <li>To strengthen the delivery of basic services and ensure sustainable integrated human settlement supported by infrastructure development</li> </ul>
Rural Development	<ul style="list-style-type: none"> <li>To strengthen the delivery of basic services and ensure sustained integrated human settlement supported by infrastructure development</li> <li>To formulate a broad over-arching human capital and community development</li> </ul>
Economic development	<ul style="list-style-type: none"> <li>To initiate a strong and sustainable local/regional economic development potential and sustainable environmental management</li> </ul>
Financial management and viability	<ul style="list-style-type: none"> <li>To ensure legally sound financial viability and management</li> </ul>
Human capital and community development	<ul style="list-style-type: none"> <li>To formulate a broad over-arching human capital and community development</li> </ul>
2010 Legacy and Flagship projects concept	<ul style="list-style-type: none"> <li>To initiate a strong and sustainable local/regional economic development potential and sustainable environmental management</li> <li>To strengthen the delivery of basic services and ensure sustained integrated human settlement supported by infrastructure development</li> <li>To formulate a broad over-arching human capital and community development</li> <li>To build strong sustainable governance and institutional structures and arrangements</li> <li>To redefine strategic macro leadership and coordination structures involving the local, district, provincial and national</li> </ul>

	government
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In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the seven strategic objectives:

### Alignment of MLM IDP priorities with National, Provincial and District Priorities

MILLENNIUM DEVELOPMENT GOALS	IDP PRIORITIES- MUNICIPAL RESPONSE
Develop a Global Partnership for Development	<ul style="list-style-type: none"> <li>➤ 2010 legacy and flagship projects</li> <li>➤ Human capital and community development</li> </ul>
Eradicate extreme poverty and hunger	<ul style="list-style-type: none"> <li>➤ Infrastructure &amp; sustainable services</li> <li>➤ Human capital and community development</li> <li>➤ Economic development</li> <li>➤ Rural development</li> </ul>
Combat HIV/AIDS, malaria and other diseases	<ul style="list-style-type: none"> <li>➤ Human capital and community development</li> <li>➤ 2010 legacy and flagship projects</li> <li>➤ Economic development</li> </ul>
Ensure environmental sustainability	<ul style="list-style-type: none"> <li>➤ 2010 legacy and flagship projects</li> </ul>
Promote gender equality and empower women	<ul style="list-style-type: none"> <li>➤ Human capital and social development</li> <li>➤ 2010 legacy and flagship projects</li> </ul>
NATIONAL PRIORITIES	IDP PRIORITIES- MUNICIPAL RESPONSE
Corruption	<ul style="list-style-type: none"> <li>➤ 2010 legacy and flagship projects</li> </ul>
Education	<ul style="list-style-type: none"> <li>➤ Human capital and community development</li> </ul>
Health	<ul style="list-style-type: none"> <li>➤ 2010 legacy and flagship projects</li> </ul>
The fight against crime	<ul style="list-style-type: none"> <li>➤ 2010 legacy and flagship projects</li> <li>➤ Rural development</li> </ul>
Creation of decent work & sustainable livelihoods	<ul style="list-style-type: none"> <li>➤ Economic development</li> <li>➤ Infrastructure &amp; sustainable services</li> <li>➤ 2010 legacy and flagship projects</li> <li>➤ Rural development</li> </ul>
Rural development, food security & land reform	<ul style="list-style-type: none"> <li>➤ Economic development</li> <li>➤ Infrastructure &amp; sustainable services</li> <li>➤ Human capital and community development</li> <li>➤ Rural development</li> </ul>

<b>PROVINCIAL PRIORITIES</b>	<b>IDP PRIORITIES- MUNICIPAL RESPONSE</b>
Agriculture	<ul style="list-style-type: none"> <li>➤ Human capital and community development</li> <li>➤ Economic development</li> <li>➤ Rural development</li> </ul>
Skills	<ul style="list-style-type: none"> <li>➤ Human capital and community development</li> <li>➤ Institutional development &amp; transformation</li> <li>➤ Infrastructure &amp; sustainable services</li> </ul>
Economic growth & job creation	<ul style="list-style-type: none"> <li>➤ Economic development</li> <li>➤ 2010 legacy and flagship projects</li> <li>➤ Rural development</li> </ul>
Strategic infrastructure	<ul style="list-style-type: none"> <li>➤ 2010 legacy and flagship projects</li> <li>➤ Infrastructure &amp; sustainable services</li> </ul>
Tourism, Environment & Cultural Heritage	<ul style="list-style-type: none"> <li>➤ Human capital &amp; community development</li> <li>➤ Flagship projects</li> </ul>
Social cohesion	<ul style="list-style-type: none"> <li>➤ Human capital and community development</li> <li>➤ 2010 legacy and flagship projects</li> </ul>
<b>DISTRICT PRIORITIES</b>	<b>IDP PRIORITIES- MUNICIPAL RESPONSE</b>
Basic service and infrastructure development	<ul style="list-style-type: none"> <li>➤ Infrastructure &amp; sustainable services</li> </ul>
Local economic development	<ul style="list-style-type: none"> <li>➤ Economic development</li> <li>➤ 2010 legacy and flagship projects</li> </ul>
Institutional transformation and development	<ul style="list-style-type: none"> <li>➤ Institutional development and transformation</li> <li>➤ 2010 legacy and flagship projects</li> </ul>
Financial viability and management	<ul style="list-style-type: none"> <li>➤ 2010 legacy and flagship projects</li> <li>➤ Financial management and viability</li> </ul>
Public participation and good governance	<ul style="list-style-type: none"> <li>➤ Institutional development and transformation</li> <li>➤ 2010 legacy and flagship projects</li> </ul>
Traditional leaders	<ul style="list-style-type: none"> <li>➤ Human capital and community development</li> <li>➤ 2010 legacy and flagship projects</li> </ul>

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the seven strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated

sectoral plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into six strategic focus areas/objectives as outlined below:

- To initiate a strong and sustainable Local/Regional Economic Development Potential and Sustainable Environmental Management
- To Strengthen the Delivery of Basic Services and ensure Sustained Integrated Human Settlement supported by Infrastructure Development
- To formulate a Broad Over-arching Human Capital and Community Development
- To build strong sustainable governance and institutional structures and arrangements
- To ensure legally sound financial viability and management
- To redefine strategic macro leadership and coordination structures involving the Local, District, Provincial and National Government

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the revision of the IDP, including:

- There was one standardized template used to collect information, where the communities identified their priorities, detailed problem statement and the specific section / village;
- During the consultation, communities were given an opportunity to identify key priority needs and suggest solutions;
- Diverse developmental needs in areas within each ward were noted during the Analysis phase
- Poor attendance in some wards during the consultation meetings has negative effects;
- Consultation with communities for their needs is not the analysis of needs; analysis requires further research, evaluation and a decision making process;
- Communities should be provided with maps of their areas during consultation process to assist the municipality in mapping social needs;
- Government departments and parastatals are not attending IDP meetings even though they are invited;
- Upon the approval of the IDP and Budget, each ward should receive information of all projects/ programmes across the three spheres of government and other stakeholders that will be implemented in their respective wards;
- There is a need for an organized consultation process with sector departments from both the municipality and district perspective.

The 2011/12 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										

To initiate a strong and sustainable Local/Regional Economic Development Potential and sustainable Environmental Management	Economic Development	6,823	2,284	2,515	19,258	14,238	14,238	11,173	11,970	12,824
To strengthen the Delivery of Basic Services and ensure sustained Intergrated Human Settlement supported by Infrastructure Development	Infrastructure & sustainable services	437,736	624,136	867,939	682,188	590,820	590,820	865,038	937,941	1,142,502
To formulate a Broad Over-arching Human Capital and Community Development	Human capital & community development	347,698	484,849	457,027	358,354	350,148	350,148	166,150	191,632	222,454
To build strong sustainable governance and institutional structures and arrangements	Institutional development & transformation	17,215	11,269	51,732	75,350	15,663	15,663	5,452	5,954	6,505
To ensure legally sound Financial viability and Management	Financial management & viability	195,023	232,437	232,064	499,148	535,021	535,021	559,475	628,525	692,979
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>1,004,495</b>	<b>1,354,976</b>	<b>1,611,278</b>	<b>1,634,299</b>	<b>1,505,890</b>	<b>1,505,890</b>	<b>1,607,288</b>	<b>1,776,021</b>	<b>2,077,264</b>

**Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

MP322 Mbombela - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
To initiate a strong and sustainable Local/Regional Economic Development Potential and sustainable Environmental Management	Economic Development		12 054	23 653	41 315	4 291	4 699	4 699	52 586	59 294	73 367
To strengthen the Delivery of Basic Services and ensure sustained Integrated Human Settlement supported by Infrastructure Development	Infrastructure & sustainable services		269 654	420 185	734 200	496 996	701 777	701 777	837 651	937 104	1 124 907
To formulate a Broad Over-arching Human Capital and Community Development	Human capital & community development		181 373	219 886	253 193	303 177	352 090	352 090	367 921	402 083	474 271
To build strong sustainable governance and institutional structures and arrangements	Institutional development & transformation		133 937	317 383	293 580	178 756	230 436	230 436	130 970	140 510	144 224
To ensure legally sound Financial viability and Management	Financial management & viability		34 953	126 122	61 290	185 271	203 720	203 720	198 671	211 033	226 925
		1	631 972	1 107 228	1 383 578	1 168 491	1 492 723	1 492 723	1 587 799	1 750 024	2 043 693

**Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

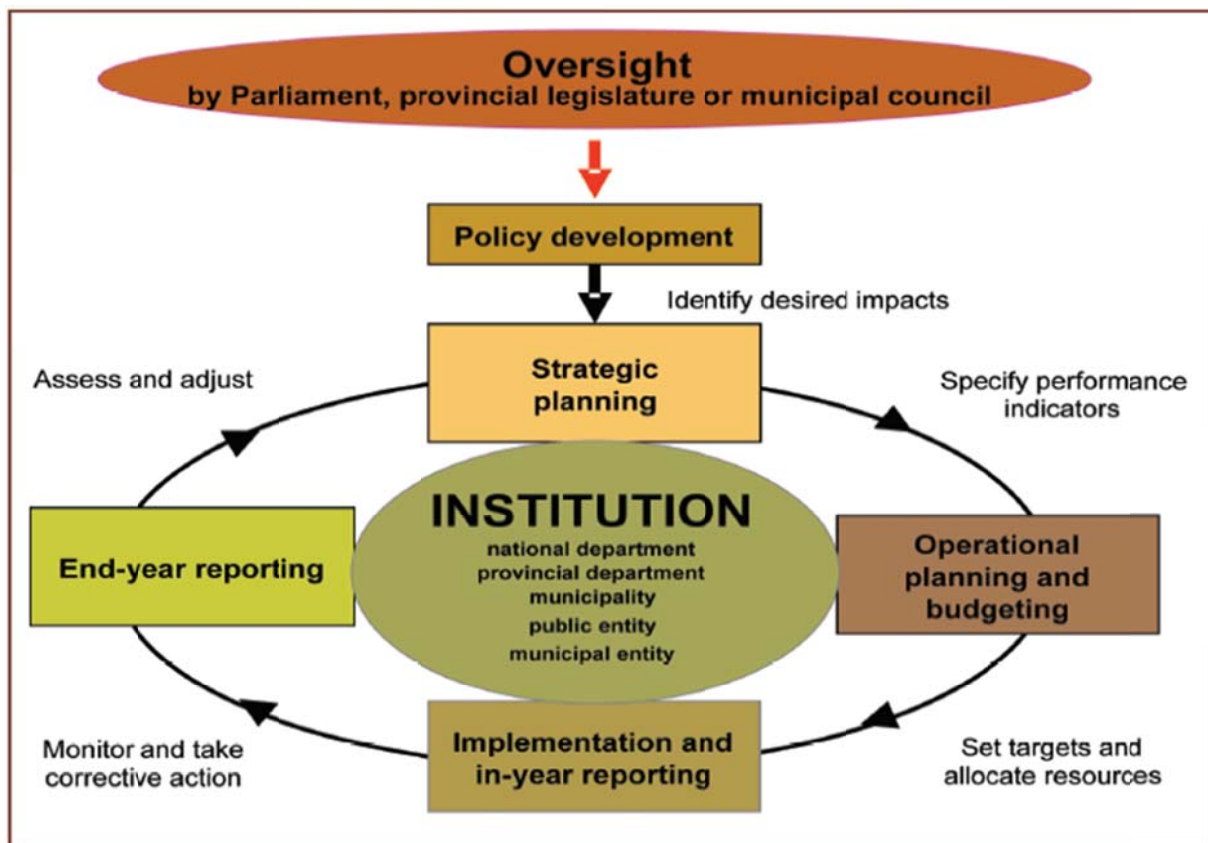
MP322 Mbombela - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
To initiate a strong and sustainable Local/Regional Economic Development Potential and sustainable Environmental Management	Economic Development		1 168	13 058	19 884	34 336	83 902	83 902	29 250	43 050	25 300
To strengthen the Delivery of Basic Services and ensure sustained Integrated Human Settlement supported by Infrastructure Development	Infrastructure & sustainable services		369 869	685 540	788 083	634 724	568 379	568 379	401 293	431 833	542 732
To formulate a Broad Over-arching Human Capital and Community Development	Human capital & community development		9 660	10 786	43 286	17 799	-	-	600	400	600
To build strong sustainable governance and institutional structures and arrangements	Institutional development & transformation		-	868	1 786	20 418	4 000	4 000	19 130	19 425	21 500
To ensure legally sound Financial viability and Management	Financial management & viability		584	231	341	-	-	-	7 550	10 000	11 000
		1	381 281	710 483	853 380	707 277	656 281	656 281	457 823	504 708	601 132

## 1.10 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



**Figure 1 Planning, budgeting and reporting cycle**

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury.

The following table sets out the municipality's main performance objectives and benchmarks for the 2011/12 MTREF.

**Table SA8 - Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b><u>Borrowing Management</u></b>											
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	4.2%	1.0%	0.7%	3.7%	2.4%	2.4%	2.4%	2.4%	2.7%	2.8%
Credit Rating		A2 za	A2 za	A2 za	A2 za	A2 za	A2 za	A2 za			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	3.2%	2.0%	1.5%	8.3%	6.0%	6.0%	6.0%	4.0%	3.7%	3.3%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.7%	0.1%	67.9%	71.3%	71.3%	71.3%	27.2%	29.6%	32.5%
<b><u>Safety of Capital</u></b>											
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	35.5%	12.9%	11.7%	7.8%	8.7%	8.7%	8.7%	7.3%	7.7%	7.8%
Gearing	Long Term Borrowing/ Funds & Reserves	6.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	1.3	1.1	0.5	2.5	1.0	1.0	1.0	1.2	1.1	1.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.3	1.1	0.5	2.5	1.0	1.0	1.0	1.2	1.1	1.3
Liquidity Ratio	Monetary Assets/Current Liabilities	1.1	0.9	0.0	1.3	0.3	0.3	0.3	0.5	0.7	1.0
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		132.8%	222.6%	23.9%	23.9%	23.9%	23.9%	118.0%	109.8%	107.2%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	13.7%	8.9%	21.9%	14.0%	13.9%	13.9%	13.9%	8.1%	4.2%	2.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
<b><u>Funding of Provisions</u></b>											
Provisions not funded - %	Unfunded Provns./Total Provisions										
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source										
Employee costs	Employee costs/(Total Revenue - capital revenue)	28.4%	31.8%	28.0%	28.3%	29.2%	29.2%	29.2%	29.2%	26.7%	24.3%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	30.3%	32.9%	29.8%	29.8%	29.9%	29.9%		30.6%	28.0%	26.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	6.9%	38.6%	27.8%	6.8%	31.1%	31.1%	31.1%	29.8%	25.8%	22.2%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	6.2	13.0	8.6	12.9	12.9	12.9	40.4	46.2	54.5	66.3
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	24.1%	14.7%	40.0%	23.1%	22.5%	22.5%	22.5%	12.1%	6.0%	3.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	12.2	10.7	(0.9)	2.9	1.4	1.4	1.4	1.0	1.3	1.7

## PERFORMANCE INDICATORS AND BENCHMARKS

### BORROWING MANAGEMENT

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Mbombela Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2011/12 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. It can be noted that the borrowing asset ratio of Mbombela local municipality is increasing for the medium term.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 1.5 per cent in 2009/10 to 8.3 per cent in 2010/11. This increase can be attributed to the raising of loans to fund portions of the capital programme in the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the Municipality has reached its prudential borrowing limits.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

### Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves.

### Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2011/12 MTREF the current ratio is 1.6 in the 2011/12 financial year and 2.0 and 2.4 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2010/11 financial year the ratio was 0.2 and as part of the financial planning strategy it has been increased to 0.6 in the 2011/12 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

## Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

## Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100% compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

## Other Indicators

- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.

### 1.10.1 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2011/12 financial year 12,500 registered indigents have been provided for in the budget with this figured increasing to 14,000 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 6kl fee water, 50 kwh of electricity, 6 kl sanitation and free waste removal equivalent to 85¢ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table A10 (Basic Service Delivery Measurement) .

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

### 1.10.2 Providing clean water and managing waste water

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Minimum Green Drop certification standards. This has been prioritised as part of the 2011/12 medium term capital budget.

The following is briefly the main challenges facing the Municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel;
- The Electricity Division is to install dedicated power supply lines to the plants; and
- The Division is working in consultation with the Department of Water Affairs to address catchment management.
- Updating the infrastructure plan of the municipality.

### **1.11 OVERVIEW OF BUDGET RELATED-POLICIES**

As required by law, the budgeting process is guided and governed by relevant legislations, framework and policies, all the budget related policies must be reviewed annually. Any amendments, additions or deletions must be tabled to Council for approval. The Budget and Treasury office organised a full day workshop where all the policies were discussed. The purpose of this workshop was to table all these policies for deliberations by the whole management of Budget and Treasury office which included junior, middle and senior management.

Mbombela Municipality has reviewed the following Budget Related policies for the financial year 2011/2012:

#### **1.11.1 VIREMENT POLICY**

This is a policy that is designed to manage the shifting of funds within and between votes during a financial year. Its main objective is to give guidance to all relevant stakeholders on how to shift and manage funds within their items as per approved delegations.

The Municipal Budget and Reporting Regulations (No 3241) and Circular 51 issued by the National Treasury serve as guidelines in implementation of this policy.

The policy was discussed at the workshop and it was resolved that the following additions/amendments be made to the policy:

- No virements should be allowed on non-cash items (e.g. depreciation)
- The delegations should be in line with the organisational structure wherein the responsibilities be properly aligned
- No virement can be approved on the salary related votes except through Council approval

#### **1.11.2 BUDGET POLICY**

The budget policy deals mainly with all matters regarding budget matters. It gives a direction on how all the processes should be followed. The legislative and compliance requirements in terms of time lines are also indicated in this policy.

It was also discussed at the workshop and it was resolved that:

- (a) The alignment with GRAP requirements be incorporated into the policy
- (b) The capitalisation threshold of R10 000,00 be reviewed to be in line with the Asset Management Framework and Policy
- (c) The policy must also incorporate reporting requirements in terms of publication on the notice boards, website, newspapers, etc.

### **1.11.3 CREDIT CONTROL AND DEBT COLLECTION POLICY**

The policy is required in terms of chapter 9 of the Municipal Systems Act no 32 of 2000 (s 95, 96, 97 and 98). A policy must be developed in order to provide for a mechanism on which credit control and debt collection measures will be effected. The guidelines required by the Act in terms of s 97(1)(a) – (i) must be clearly indicated in the policy.

S 98 further requires that Council must adopt by laws to give effect to the policy, its implementation and enforcement.

The current policy and by laws were gazetted on 30 March 2009. There are however amendments which need to be incorporated into the policy which include amongst others:

- (a) Requirements as per schedule 1 (12A) and schedule 2 (10) of the Municipal Systems Act relating to arrears in municipal rated and taxes for both Councillors and Officials which must be incorporated into the policy.
- (b) The notification of customers by short messaging system (SMS) on arrear amounts and demand for payment be incorporated into the policy.
- (c) The mechanism of collection of debts older than two years be incorporated into the policy.
- (d) Dispute resolution mechanisms be clearly spelt out in terms of the policy.
- (e) Interest on arrear amounts be reviewed and indicated on the policy.
- (f) All penalties in the service level agreement entered into between the service provider and the municipality for enforcement of credit control measures are treated as part of the policy.

### **1.11.4 ECONOMIC INVESTMENT AND PROMOTION POLICY**

This policy is a newly developed policy from the Local Economic Development unit. Its major objective is to provide a framework for the uniform development of incentives in Mbombela Local Municipality that will assist to

- (a) attract investment.
- (b) return existing investment.
- (c) stimulate and create job opportunities.
- (d) support investment into IDP projects.

As per deliberations, it was agreed that proper enforcement of this policy will have positive and beneficial impact to the municipality. The proposed types of incentives were also look at it was then agreed that a phase

in approach as per the provisions Municipal Property Rates Act No 6 of 2004. These provisions are outlined in the Mbombela Local Municipality Property Rates By Law in terms of section 9.4.1(b).

#### **1.11.5 INVESTMENT POLICY**

This policy gives effect to the requirements as set out on s 13(2) of the Municipal Finance Management Act no 56 of 2003 and the Municipal Investment Regulations (Gazette 2743) of April 2005.

All investment related practices are guided by the implementation of this policy. It clearly outlines the roles and responsibilities of all role players in the management of the cash resources.

After deliberations during the workshop it was resolved that the following amendments or additions be incorporated into the policy:

- (a) Asset financing fund be changed to be called distributable accumulative reserve.
- (b) GAMAP be replaced with GRAP.
- (c) The policy must also indicate the risk spread factor rather than investing everything in one.
- (d) Clear segregation of duties amongst all role players be indicated.
- (e) Investment committee be informed timeously of any investment decision made or to be made where possible.
- (f) Approval be granted by the Manager responsible for investment decisions to be made by Investment Officer.

#### **1.11.6 FUNDING AND RESERVES POLICY**

In terms of s 8 of the Municipal Budget and Reporting Regulations, a policy on the funding and reserves policy must be developed. This policy needs to be reviewed annually.

Its main objective is to set out assumptions and methodology for estimating amongst other issues relating to:

- Projected billings, collections and all direct revenue
- Provision for revenue that will not be collected
- Funds expected from investments to be set aside in reserves

The policy was developed in the 2010/11 financial year and is being reviewed for implementation in the 2011/12 financial year as required. The policy and its contents is still relevant for implementation in the 2011/12 financial year.

#### **1.11.7 INDIGENT POLICY**

The department of Cooperative Governance and Traditional Authorities has issued a guideline on formulation of Indigent Policy. This guideline has been used in developing the Indigent Policy for Mbombela Local Municipality.

#### **1.11.8 PAYROLL DESCREPANCY POLICY**

The non-existence of a policy to deal with payroll issues was raised as a concern by the Auditor General. A policy has been developed in terms of the Basic Conditions of Employment Act No 75 of 1997 s34 (5)(a) which states that :

### Deductions and other acts concerning remuneration

An employer may not require or permit an employee to repay any remuneration except for overpayments previously made by the employer resulting from an error in calculating the employees' remuneration.

The policy has been developed and its main objectives are:

- (a) To establish policy and procedures for identifying, correcting and recovering salary overpayments and correcting underpayments
- (b) To ensure consistent application of actions taken when implementing the policy
- (c) Establish control measures to mitigate the risk of overpayments and early detection should such occur whether due to human error, technological failure or fraudulent activities.

### **1.11.9 SUPPLY CHAIN MANAGEMENT POLICY**

Chapter 11 of the Municipal Finance Management Act No 50 of 2003 deals with Goods and Services. In terms of s111, each municipality must have and implement a Supply Chain Management policy which gives effect to provisions of this part of the Act.

In August 2005, National Treasury issued Circular 22, Supply Chain Management Model policy. This model policy has been developed to be fully compliant with MFMA. In terms of the circular the model must be adopted as the policy of the municipality and guidelines for adoption.

### **1.11.10 SUPPLIER PERFORMANCE MONITORING POLICY**

In terms of s16(2)(b) of the Municipal Finance Management Act No. 56 of 2003:

The Accounting Officer of a municipality must

- (a) Monitor on a monthly basis the performance of the contractor under the contract agreement.
- (b) It is within this premise and the fact that there has not been proper monitoring of service providers, that a policy has been developed.

This policy will, amongst others issues;

- (a) Ensure that high quality of service is maintained
- (b) Detect underperformance earlier; thereby reducing the risks to the project
- (c) Improvement in the performance of service providers

The policy has been developed. It also clearly stipulates the relevant role-players and their roles and responsibilities in terms of implementation of the policy.

### **1.11.11 CONTRACT MANAGEMENT POLICY**

This policy is linked to the supplier performance monitoring policy. It has been developed in terms of s 116(2) of the MFMA. The lack of proper contract management or consistent application of contract management necessitated the development of this policy.

A dedicated unit in the SCM sub directorate with the assistance of the Legal Services within Council will be the key custodians of the policy The Project Managers and user departments will in terms of the policy be

accountable for the specific project whilst it is underway and will work closely with the Contract Management unit to ensure compliance to the policy.

#### **1.11.12 PROPERTY RATES POLICY & BY LAW**

The Municipal Property Rates Act no 6 of 2004 provides a framework to which municipalities must comply when imposing rates on properties. S 62 of the MFMA requires that the accounting officer must ensure that the municipality has and implements a rates policy embodied in a bylaw as per s 6 of the MPRA.

In the implementation of the above a property rates by law was gazetted on 21 July 2010 as provincial gazette no 1841. As required by law annually the policy needs to be reviewed.

The by law was also discussed during the workshop. Additions as a result of the implementation of the supplementary valuation rolls and challenges encountered during the year were necessary.

#### **1.11.13 TARIFF POLICY & BY LAW**

s 74 of the Municipal Systems Act no 32 of 2000, provides a framework on the formulation of a tariff policy. This policy together with the by law adopted in terms of s 75 are part of the budget related policies that must be reviewed annually. A tariff policy consistent with the provisions of the Act has been developed.

#### **1.11.14 ASSET MANAGEMENT POLICY**

The safeguarding and maintenance of assets, valuation in accordance with GRAP, maintaining a system of internal control and keeping an asset register are key elements of the Asset Management Framework. In order to ensure above is done in a consistent and legally compliant manner, a policy directive needs to be adopted.

The municipality has recently completed an exercise where the asset base of the municipality was properly quantified and a GRAP compliant asset register completed. An asset management policy is therefore critical as it will ensure that all relevant stakeholders and role players understand their roles and responsibilities.

#### **1.11.15 INSURANCE POLICY**

The main objective of the insurance policy is to:

- (a) Create awareness to all employees of the risks associated with all insurable interests
- (b) Ensure reasonable steps are taken to mitigate and minimise all risks
- (c) Identify all potential risks and enforce risk control measures
- (d) Minimise losses by ensuring proper management control housekeeping and maintenance of assets

The policy must be read in conjunction with the Asset Management policy.

All the policies discussed above have been approved by Council on 11 May 2011 as per council resolution A(3) and the following policies will be gazetted into by laws for effective enforcement;

- (a) Credit Control and Debt Collection Policy
- (b) Indigent Policy
- (c) Property Rates policy
- (d) Tariff policy & buy- laws

## 1.12 OVERVIEW OF BUDGET ASSUMPTIONS

### External factors

Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8% last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 will be 2.3% rising to 3.6% by 2012.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the City's finances.

### General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2011/12 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 27.7 per cent of total operating expenditure in the 2011/11 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

### Credit rating outlook

**Table 1 Credit rating outlook**

Security class	Currency	Rating	Annual rating 2009/10	Previous Rating
Short term	Rand	Prime -1	20 April 2010	Prime -1
Long-term	Rand	Aa2	20 April 2010	Aa2
Outlook	Rand	Negative	20 April 2010	Negative

The rating definitions are:

- Short term : Prime – 1  
Short-Term Debt Ratings (maturities of less than one year)  
Prime-1 (highest quality)
- Long-term : Aa3  
Defined as high-grade. "Aa" rated are judged to be of high quality and are subject to very low credit risk.

### Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2011/12 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2012/13 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

### Collection rate for revenue services

The payment level trend for the past three years, including current financial year until to date is as follows;

Description	2007/2008 Actual	2008/2009 Actual	2009/2010 Actual	2010/2011 Estimate	2011/2012 Forecast	2012/2013 Forecast	2013/2014 Forecast
Payment Levels	88%	92%	85%	92%	92%	92%	92%

The collection average rate of 92% on current accounts will be maintained over the medium-term. The provision for doubtful debts has been projected at 8% over the medium-term.

### Growth or decline in tax base of the municipality

The summary of outstanding debts for the past three years, including current financial year until to date is as follows;

DESCRIPTION	2007/2008 Actual	2008/2009 Actual	2009/2010 Actual	2010/2011 Estimate	Average
Rates, services and sundry charges debtors	R 248 041 281	R 303 467 611	R331 151 658	R385 743 093	R131 600 000
Growth	12%	22%	9%	16%	15%

The Treasury Service Department has developed a revenue enhancement strategy to address some of the challenges leading to the dwindling payment levels. This strategy seeks to ensure that there is improvement in payment levels and recovery of outstanding debt. The collection on outstanding debts has been projected at an average 36% per annum over the medium-term.

### Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. The employees' remuneration cost will be R386 million in 2011/2012 financial year due to an increase by R44 million (13%) and expenditure to the total operating budget is 24%. The employees remuneration cost will increase to R451 million in 2013/2014 financial year and the expenditure to the total operating budget will be 22%. The employees' remuneration is fairly lower than the national norm of 30%, it is however causing a serious challenge to the municipality in executing its programmes and priorities ensuring the achievement of the service delivery objectives.

Included on the employees' remuneration is an allocation of R4.8 million over the medium-term for the recruitment of young qualified and inexperience graduates, diplomats and artisans on a learnership programme in order to close the gap of shortage of qualified and skilled employees in the municipality, especially in the field of engineering, property valuation, environmental management and town planning.

### Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve this national priority, municipalities are urged to when drafting 2011/2012 budgets to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the EPWP. The municipality ought to focus on maximizing its contribution to job creation by;

- Ensuring that service delivery and capital project use labour intensive methods wherever appropriate.
- Ensuring that service providers use labour intensive approaches.
- Supporting labour intensive Local Economic Development projects.
- Participating fully in the Expanded Public Works Programmes/National youth service plan.
- Implementing interns programmes to provide young people with on-the-job training.

### Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2011/12 MTREF of which cashflow performance has been projected into the cash flow budget.

## 1.13 OVERVIEW OF BUDGET FUNDING

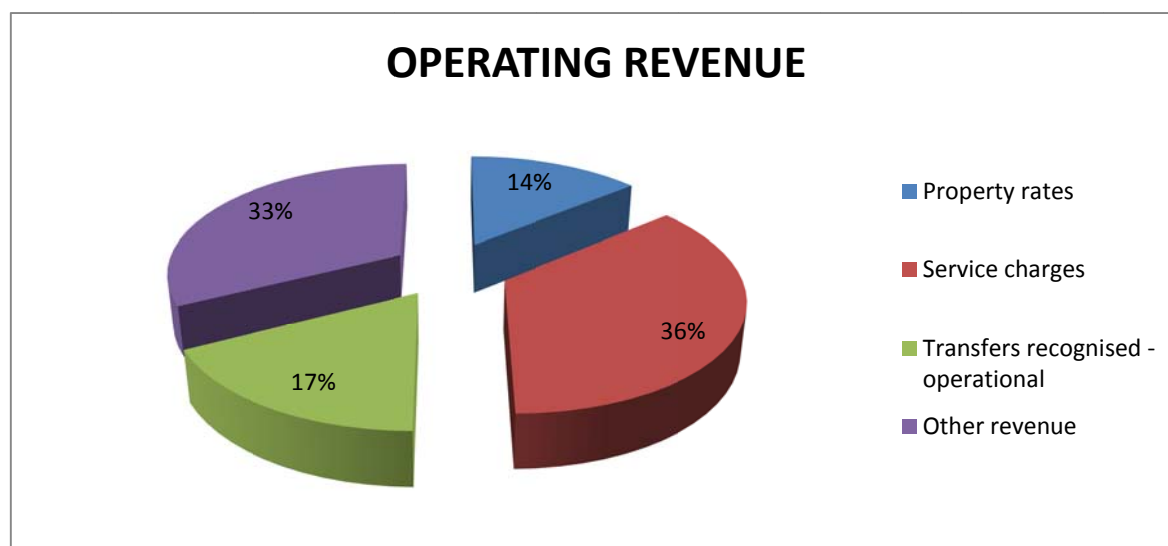
### Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Description R thousand	2011/12 Medium Term Revenue & Expenditure Framework					
	Budget Year 2011/12	% Growth	Budget Year +1 2012/13	% Growth	Budget Year +2 2013/14	% Growth
Property rates	239,445	18.1	275,446	17.6	316,602	17.1
Property rates - penalties & collection charges	–	0.0	–	0.0	–	0.0
Service charges - electricity revenue	525,034	39.8	669,886	42.9	854,876	46.1
Service charges - water revenue	23,250	1.8	26,098	1.7	29,683	1.6
Service charges - sanitation revenue	13,577	1.0	15,308	1.0	17,502	0.9
Service charges - refuse revenue	52,700	4.0	59,925	3.8	69,129	3.7
Service charges - other	–	0.0	–	0.0	–	0.0
Rental of facilities and equipment	23,064	1.7	28,504	1.8	35,454	1.9
Interest earned - external investments	4,301	0.3	4,301	0.3	4,301	0.2
Interest earned - outstanding debtors	18,339	1.4	20,173	1.3	22,190	1.2

Dividends received	–	0.0	–	0.0	–	0.0
Fines	3,742	0.3	4,301	0.3	4,944	0.3
Licences and permits	5,299	0.4	6,093	0.4	7,007	0.4
Agency services	71,688	5.4	82,441	5.3	94,807	5.1
Transfers recognised - operational	298,622	22.6	325,248	20.8	349,331	18.8
Other revenue	31,818	2.4	34,741	2.2	38,014	2.1
Gains on disposal of PPE	9,555	0.7	9,555	0.6	9,555	0.5
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,320,431</b>	<b>100</b>	<b>1,562,018</b>	<b>100</b>	<b>1,853,394</b>	<b>100</b>
<b>Total Revenue operating expenditure</b>	<b>1,590,748</b>		<b>1,755,452</b>		<b>2,050,790</b>	
<b>Surplus/(Deficit)</b>	<b>(270,316)</b>		<b>(193,433)</b>		<b>(197,395)</b>	

The following graph is a breakdown of the operational revenue per main category for the 2011/12 financial year.



Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The City derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal.

The revenue strategy is a function of key components such as:

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of a 95% annual collection rate on revenue from rates and services charge;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and

- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2011/12 MTREF on the different revenue categories are:

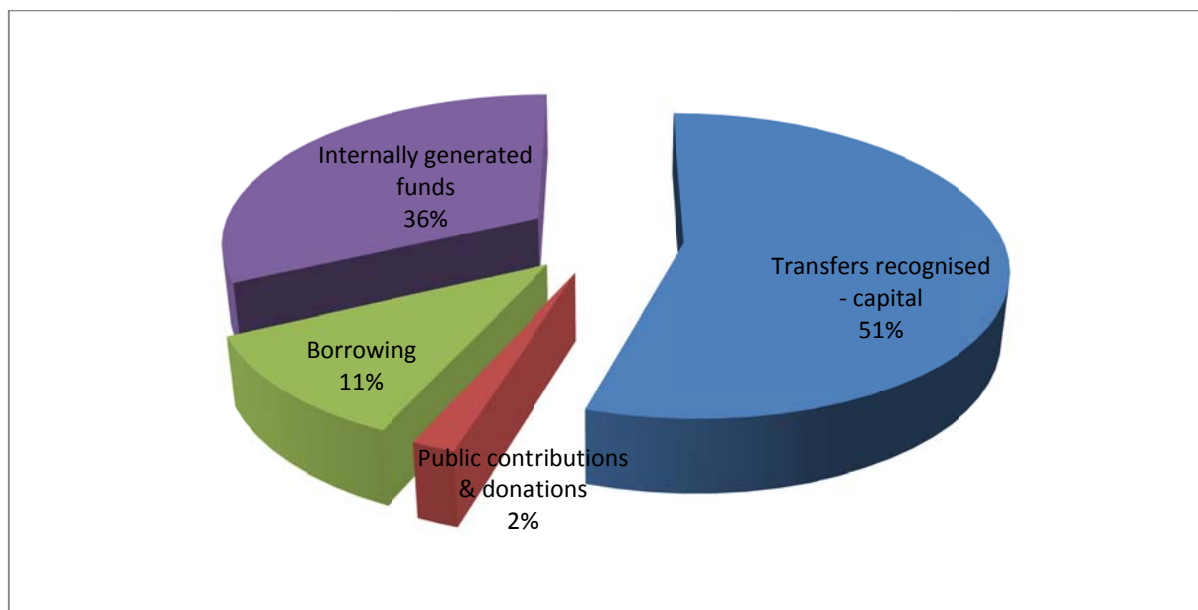
Revenue category	2011/12 proposed tariff increase	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2011/12 additional revenue for each % tariff increase	2012/13 additional revenue owing to % tariff increases	2013/14 Total Budgeted revenue
	%	%	%	R'000	R'000	R'000
Electricity	23.41	22	22	122,910,511	147,374,924	854,876,321
Water	8	10	11	1,859,986	2,609,782	2,968,2650
Sewer	8	10	11	1,086,149	1,530,791	17,501,536
Refuse Removal	10	11	12	5,796,954	5,992,481	69,129,270
Property Rates	5	7	7	11,972,235	19,281,228	316,60,2169
<b>TOTAL</b>				<b>143,625,835</b>	<b>176,789,206</b>	<b>128,779,195</b>

**Table 2 Sources of capital revenue over the MTREF**

Description  R thousands	2011/12 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
<b>Capital expenditure</b>								
Transfers recognised - capital	321,541,774	49	235,565,000	51	224,072,908	44	280,487,396	47
Public contributions & donations	16,569,512	3	8,200,000	2	14,300,000	3	13,259,013	2
Borrowing	122,420,970	19	50,339,000	11	35,600,000	7	48,600,000	8
Internally generated funds	195,749,609	30	163,719,240	36	230,735,000	46	258,785,820	43
<b>Total sources of capital funds</b>	<b>656,281,865</b>	<b>100</b>	<b>457,823,240</b>	<b>100</b>	<b>504,707,908</b>	<b>100</b>	<b>601,132,229</b>	<b>100</b>

Grants and subsidies is a major funding of the capital budget where 51% of the capital budget is funded from grants, followed by internally generated revenue with 36% and borrowing revenue with 11% as well as service contribution with 2%.

The graphic illustration of the source of revenue for the capital expenditure



### Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table A7 - Budget cash flow statement**

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		614 328	1 138 964	155 135	1 120 478	990 294	990 294	990 294	1 086 661	1 288 901	1 539 621
Government - operating	1	161 951	179 798	397 738	281 291	312 919	312 919	312 919	298 622	325 248	349 331
Government - capital	1	327 682	591 566	528 045	274 970	285 984	285 984	285 984	234 065	236 003	253 870
Interest		30 122	72 078	37 155	11 574	2 900	2 900	2 900	-	-	-
Dividends		-	-		-						
Payments											
Suppliers and employees		(562 780)	(674 666)	(877 424)	(1 174 287)	(1 150 659)	(1 150 659)	(1 150 659)	(1 129 246)	(1 257 461)	(1 410 574)
Finance charges		(10 885)	(11 517)	(12 970)	(23 187)	(15 064)	(15 064)	(15 064)	(31 531)	(32 162)	(32 805)
Transfers and Grants	1	-	-						-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		560 418	1 296 223	227 678	490 839	426 373	426 373	426 373	458 571	560 530	699 443
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		1 795	-	-	15 400	6 290	6 290	6 290	-	-	-
Decrease (Increase) in non-current debtors		5 475	-		-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	(59)	(439)	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		(2 540)	(2 333)	8 276	-	-	-	-	-	-	-
Payments											
Capital assets		(381 275)	(1 143 600)	(851 395)	(578 495)	(440 705)	(440 705)	(440 705)	(495 465)	(563 872)	(678 515)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(376 545)	(1 145 993)	(843 558)	(563 095)	(434 415)	(434 415)	(434 415)	(495 465)	(563 872)	(678 515)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	57 000	57 000	57 000	57 000			
Borrowing long term/refinancing		-	884	272	200 000	170 000	170 000	170 000	50 000	70 000	80 000
Increase (decrease) in consumer deposits		1 140	-		-	-	-	-			
Payments											
Repayment of borrowing		(9 573)	(10 699)	(7 786)	(68 360)	(68 360)	(68 360)	(68 360)	(21 600)	(22 140)	(22 694)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(8 433)	(9 814)	(7 514)	188 640	158 640	158 640	158 640	28 400	47 860	57 307
NET INCREASE/ (DECREASE) IN CASH HELD											
		175 439	140 417	(623 393)	116 385	150 599	150 599	150 599	(8 494)	44 517	78 235
Cash/cash equivalents at the year begin:	2	251 357	426 796	567 213	87 211	(56 181)	(56 181)	(56 181)	94 419	85 925	130 442
Cash/cash equivalents at the year end:	2	426 796	567 213	(56 180)	203 596	94 418	94 418	94 418	85 925	130 442	208 677

The above table shows that cash and cash equivalents of the municipality is decreasing from R94 million to R85 million in 2011/2012 financial year. This is due to effective management of the cash flow crises which the municipality underwent during 2010/11 the development and implementation of two critical financial strategies such as revenue enhancement strategy and cost curtailment strategies will help to improve the financial situation of the municipality.

**Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	426 796	567 213	(56 180)	203 596	94 418	94 418	94 418	85 925	130 442	208 677
Other current investments > 90 days		(0)	(0)	(0)	(57 000)	(44 235)	(44 235)	(44 235)	-	-	-
Non current assets - Investments	1	17 684	20 017	11 742	12 500	12 088	12 088	12 088	12 088	12 813	13 582
<b>Cash and investments available:</b>		<b>444 480</b>	<b>587 230</b>	<b>(44 439)</b>	<b>159 096</b>	<b>62 271</b>	<b>62 271</b>	<b>62 271</b>	<b>98 013</b>	<b>143 255</b>	<b>222 259</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		235 056	414 185	141 285	-	-	-	-	-	-	-
Unspent borrowing											
Statutory requirements	2	21 260	2 668								
Other working capital requirements	3	278 927	472 857	268 584	(88 743)	36 911	36 911	36 911	24 974	75 334	109 248
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>535 243</b>	<b>889 709</b>	<b>409 869</b>	<b>(88 743)</b>	<b>36 911</b>	<b>36 911</b>	<b>36 911</b>	<b>24 974</b>	<b>75 334</b>	<b>109 248</b>
<b>Surplus(shortfall)</b>		<b>(90 763)</b>	<b>(302 479)</b>	<b>(454 307)</b>	<b>247 839</b>	<b>25 360</b>	<b>25 360</b>	<b>25 360</b>	<b>73 039</b>	<b>67 921</b>	<b>113 012</b>

**This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA.** The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation,

which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

### Cash and cash equivalents / Cash backed reserves and accumulated funds

Description	MFMA section	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	426 796	567 213	(56 180)	203 596	94 418	94 418	94 418	85 925	130 442	208 677
Cash + investments at the yr end less applications - R'000	18(1)b	2	(90 763)	(302 479)	(454 307)	247 839	25 360	25 360	25 360	73 039	67 921	113 012
Cash year end/monthly employee/supplier payments	18(1)b	3	12.2	10.7	(0.9)	2.9	1.4	1.4	1.4	1.0	1.3	1.7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	388 837	247 746	227 700	465 808	13 167	13 167	13 167	19 489	25 997	33 571
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	12.9%	24.2%	15.3%	(6.0%)	(6.0%)	(6.0%)	13.5%	16.6%	17.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	120.5%	217.7%	19.0%	120.7%	109.5%	109.5%	110%	103.7%	103.7%	103.2%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	9.3%	22.5%	8.7%	7.0%	8.1%	8.1%	8.1%	7.8%	7.8%	7.8%
Capital payments % of capital expenditure	18(1)c,19	8	100.0%	161.0%	99.8%	81.8%	67.2%	67.2%	67.2%	108.2%	111.7%	112.9%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.7%	0.1%	51.7%	50.8%	50.8%	50.8%	22.5%	24.9%	24.9%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								111.9%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(27.6%)	254.6%	(30.0%)	0.0%	0.0%	0.0%	(35.7%)	(39.0%)	(38.3%)
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	6.5%	45.0%	0.3%	0.0%	0.0%	0.0%	(100.0%)	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	5.2%	1.6%	2.0%	1.7%	2.7%	2.7%	2.4%	2.5%	2.5%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	36.6%	34.8%	34.8%	33.7%	54.5%	63.4%	0.0%

### Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

### Funding Compliance measures

The cash and cash equivalents as reflected in the funding compliance table below indicated that the municipality has positive cash balance at the end of the financial year which is an indication of the minimum requirement as required by MFMA. The forecasted cash and cash equivalents for the Medium Term period is R 85 million, R 130 million and R 208 million for each year respectively.

### Cash/cash equivalent position

The City's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2011/12 MTREF shows R85 million, R130 million and R208 million for each respective financial year.

### **Cash plus investments less application of funds**

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table A8. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

### **Monthly average payments covered by cash or cash equivalents**

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts municipalities improving cash position causes the ratio to move upwards one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

### **Surplus/deficit excluding depreciation offsets**

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2011/12 MTREF the indicative outcome is a surplus of R19 million, R25 million and R33 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

### **Property Rates/service charge revenue as a percentage increase less macro inflation target**

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 – 6%). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 13.5% 16.6% and 17% for the respective financial year of the 2011/12 MTREF.

**Cash receipts as a percentage of ratepayer and other revenue**

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 100.6%, 105% and 104.4% for each of the respective financial years. Given that the assumed collection rate was based on a 92% performance target, the cash flow statement has been conservatively determined.

**Debt impairment expense as a percentage of billable revenue**

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 8%, 8% and 8% over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

**Capital payments percentage of capital expenditure**

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

**Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)**

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 23%, 25% and 25% of own funded capital. .

**Transfers/grants revenue as a percentage of Government transfers/grants available**

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

**Consumer debtors change (Current and Non-current)**

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality policy of settling debtors' accounts within 30 days.

**Repairs and maintenance expenditure level**

This measure must be considered important within the context of the funding measures criteria because of a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

**Asset renewal/rehabilitation expenditure level**

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

**BUDGET SUPPORTING TABLE FOR 2011/2012 – 2013/2014 MTREF**

**SUPPORTING TABLE SA1**

MP322 Mbombela - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>R thousand</b>											
<b>REVENUE ITEMS:</b>											
<b>Property rates</b>	6										
Total Property Rates		142 045	155 406	187 192	287 896	287 896	287 896	287 896	329 642	361 133	398 005
<i>less Revenue Foregone</i>					80 670	80 670	80 670	80 670	90 197	85 687	81 403
<b>Net Property Rates</b>		142 045	155 406	187 192	207 226	207 226	207 226	207 226	239 445	275 446	316 602
<b>Service charges - electricity revenue</b>	6										
Total Service charges - electricity revenue		176 198	227 314	328 997	425 302	425 302	425 302	425 302	525 034	669 886	854 876
<i>less Revenue Foregone</i>											
<b>Net Service charges - electricity revenue</b>		176 198	227 314	328 997	425 302	425 302	425 302	425 302	525 034	669 886	854 876
<b>Service charges - water revenue</b>	6										
Total Service charges - water revenue		16 290	18 428	18 176	19 779	19 779	19 779	19 779	23 250	26 098	29 683
<i>less Revenue Foregone</i>											
<b>Net Service charges - water revenue</b>		16 290	18 428	18 176	19 779	19 779	19 779	19 779	23 250	26 098	29 683
<b>Service charges - sanitation revenue</b>	6										
Total Service charges - sanitation revenue		11 171	12 886	12 657	14 106	14 106	14 106	14 106	13 577	15 308	17 502
<i>less Revenue Foregone</i>											
<b>Net Service charges - sanitation revenue</b>		11 171	12 886	12 657	14 106	14 106	14 106	14 106	13 577	15 308	17 502
<b>Service charges - refuse revenue</b>	6										
Total refuse removal revenue		34 742	38 306	41 861	48 052	48 052	48 052	48 052	52 700	59 925	69 129
Total landfill revenue					-						
<i>less Revenue Foregone</i>					-						
<b>Net Service charges - refuse revenue</b>		34 742	38 306	41 861	48 052	48 052	48 052	48 052	52 700	59 925	69 129
<b>Other Revenue by source</b>											
Fuel levy	6										
Other revenue	3	31 363	34 195	34 638	56 805	35 031	35 031	35 031	31 818	34 741	38 014
<b>Total 'Other' Revenue</b>	1	31 363	34 202	34 638	56 805	35 031	35 031	35 031	31 818	34 741	38 014
<b>EXPENDITURE ITEMS:</b>											
<b>Employee related costs</b>											
Salaries and Wages	2	192 370	242 642	303 219	270 542	276 009	276 009	276 009	302 350	326 545	352 675
Contributions to UIF, pensions, medical aid					65 977	74 560	74 560	74 560	83 624	90 478	97 898
Travel, motor car, accom; & other allowances					-						
Housing benefits and allowances		-			-						
Overtime		-			-						
Performance bonus		-	-		-						
Long service awards		-	-		-						
Payments in lieu of leave		-	-		-						
Post-retirement benefit obligations	4	-	-		-						
<b>sub-total</b>	5	192 370	242 642	303 219	336 519	350 569	350 569	350 569	385 974	417 023	450 573
<b>Less: Employees costs capitalised to PPE</b>											
<b>Total Employee related costs</b>	1	192 370	242 642	303 219	336 519	350 569	350 569	350 569	385 974	417 023	450 573
<b>Contributions recognised - capital</b>											
<i>List contributions by contract</i>											
<b>Total Contributions recognised - capital</b>		-	-	-	-	-	-	-	-	-	-
<b>Depreciation &amp; asset impairment</b>											
Depreciation of Property, Plant & Equipment		35 821	282 854	288 471	51 279	352 484	352 484	352 484	352 484	359 534	366 725
Lease amortisation		-			-						
Capital asset impairment					-						
<b>Total Depreciation &amp; asset impairment</b>	1	35 821	282 854	288 471	51 279	352 484	352 484	352 484	352 484	359 534	366 725
<b>Bulk purchases</b>											
Electricity Bulk Purchases		110 704	166 807	205 774	294 219	275 570	275 570	275 570	316 891	398 113	499 767
Water Bulk Purchases		4 943	4 792	1 079	1 204	4 204	4 204	4 204	6 552	6 880	7 264
<b>Total bulk purchases</b>	1	115 647	171 599	206 854	295 423	279 774	279 774	279 774	323 443	404 993	507 030
<b>Contracted services</b>											
<i>List services provided by contract</i>		51 000	95 202	169 499	110 287	108 994	108 994	108 994	172 306	191 625	314 439

**SUPPORTING TABLE SA 2 REVENUE BY SOURCE & EXPENDITURE TYPE & DEPT**

Description	Ref	COUNCIL	COUNCIL SUPPORT	MUNICIPAL MANAGER	FINANCIAL SERVICES	STRATEGIC GOVERNANCE & CORPORATE SUPPORT	CORPORATE SUPPORT & CO- OPERATIVE GOVERNANCE	CORPORATE SERVICES	ECONOMIC DEVELOPMEN T, TOURISM & TRADE	STRATEGIC SERVICE DELIVERY & UNITY SUPPORT	HUMAN & COMMUNITY DEVELOPMEN T	MUNICIPAL PLANNING & DEVELOPMEN T	INFRASTRUCTURE SERVICES	OPERATIONS & MAINTAINANCE	Total
R thousand	1														
<b>Revenue By Source</b>															
Property rates					239 445										239 445
Property rates - penalties & collection charges															-
Service charges - electricity revenue														525 034	525 034
Service charges - water revenue														23 250	23 250
Service charges - sanitation revenue														13 577	13 577
Service charges - refuse revenue											52 670				52 670
Service charges - other															-
Rental of facilities and equipment								33	101	2 413	16 599	3 919			23 064
Interest earned - external investments					4 301										4 301
Interest earned - outstanding debtors					18 339										18 339
Dividends received															-
Fines									4		3 717			25	3 746
Licences and permits											5 295				5 295
Agency services											71 688				71 688
Other revenue			6		3 964			29		8 761	16 183	1 110		1 765	31 818
Transfers recognised - operational					284 121									14 501	298 622
Gains on disposal of PPE					9 305							249			9 555
<b>Total Revenue (excluding capital transfers and contributions)</b>		-	6	-	559 475	-	-	62	105	11 173	166 150	5 278	-	578 152	1 320 401
<b>Expenditure By Type</b>															
Employee related costs			9 025	897	43 772	3 754	6 706	15 856	5 424	3 109	194 055	20 179	13 509	69 688	385 974
Remuneration of councillors		18 673													18 673
Debt impairment					18 436						24 183			25 699	68 318
Depreciation & asset impairment		128	3	28	75	445	4	943	47	197	44 869	1 695	4 248	299 802	352 484
Finance charges					10 936						24 168	247		6 116	41 467
Bulk purchases								78						333 443	333 521
Other materials		40	111		88	6	12	203	26		8 079	7	1	25 741	34 315
Contracted services		1	2		6 761			8 828	30		44 322			30 471	90 414
Transfers and grants															-
Other expenditure		1 187	2 358	1 883	19 480	1 323	3 954	14 166	6 094	992	68 764	14 781	14 948	108 556	258 485
Loss on disposal of PPE															-
<b>Total Expenditure</b>		20 028	11 499	2 808	99 548	5 528	10 677	40 074	11 621	4 298	408 440	36 909	32 705	899 516	1 583 651
<b>Surplus/(Deficit)</b>		(20 028)	(11 493)	(2 808)	459 927	(5 528)	(10 677)	(40 012)	(11 517)	6 875	(242 290)	(31 630)	(32 705)	(321 364)	(263 250)

Description	Ref	COUNCIL	COUNCIL SUPPORT	MUNICIPAL MANAGER	FINANCIAL SERVICES	STRATEGIC GOVERNANCE & CORPORATE SUPPORT	CORPORATE SUPPORT & CO- OPERATIVE GOVERNANCE	CORPORATE SERVICES	ECONOMIC DEVELOPME NT, TOURISM & TRADE	STRATEGIC SERVICE DELIVERY & UNITY SUPPORT	HUMAN & COMMUNITY DEVELOPME NT	MUNICIPAL PLANNING & DEVELOPME NT	INFRASTRUCT URE SERVICES	OPERATIONS & MATAINANCE	Total
R thousand	1														
<b>Revenue By Source</b>															
Property rates					239 445										239 445
Property rates - penalties & collection charges															-
Service charges - electricity revenue														525 034	525 034
Service charges - water revenue														23 250	23 250
Service charges - sanitation revenue														13 577	13 577
Service charges - refuse revenue											52 670				52 670
Service charges - other															-
Rental of facilities and equipment								33	101	2 413	16 599	3 919			23 064
Interest earned - external investments					4 301										4 301
Interest earned - outstanding debtors					18 339										18 339
Dividends received															-
Fines									4		3 717			25	3 746
Licences and permits											5 295				5 295
Agency services											71 688				71 688
Other revenue			6		3 964			29		8 761	16 183	1 110		1 765	31 818
Transfers recognised - operational					284 121									14 501	288 622
Gains on disposal of PPE					9 305							249			9 555
<b>Total Revenue (excluding capital transfers and contributions)</b>		-	6	-	559 475	-	-	62	105	11 173	166 150	5 278	-	578 152	1 320 401
<b>Expenditure By Type</b>															
Employee related costs			9 025	897	43 772	3 754	6 706	15 856	5 424	3 109	194 055	20 179	13 509	69 688	385 974
Remuneration of councillors		18 673													18 673
Debt impairment					18 436						24 183			25 699	68 318
Depreciation & asset impairment		128	3	28	75	445	4	943	47	197	44 869	1 695	4 248	299 802	352 484
Finance charges					10 936						24 168	247		6 116	41 467
Bulk purchases								78						333 443	333 521
Other materials		40	111		88	6	12	203	26		8 079	7	1	25 741	34 315
Contracted services		1	2		6 761			8 828	30		44 322			30 471	90 414
Transfers and grants															-
Other expenditure		1 187	2 358	1 883	19 480	1 323	3 954	14 166	6 094	992	68 764	14 781	14 948	108 556	258 485
Loss on disposal of PPE															-
<b>Total Expenditure</b>		20 028	11 499	2 808	99 548	5 528	10 677	40 074	11 621	4 298	408 440	36 909	32 705	899 516	1 583 651
<b>Surplus/(Deficit)</b>		(20 028)	(11 493)	(2 808)	459 927	(5 528)	(10 677)	(40 012)	(11 517)	6 875	(242 290)	(31 630)	(32 705)	(321 364)	(263 250)

**SUPPORTING TABLE SA 3**

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
<b>ASSETS</b>											
<b>Call investment deposits</b>											
Call deposits < 90 days											
Other current investments > 90 days											
<b>Total Call investment deposits</b>	2	-	-	-	-	-	-	-	-	-	-
<b>Consumer debtors</b>											
Consumer debtors		206 042	303 313 976	331 151 658	365 208	365 208	365 208	365 208	324 212	299 967	324 212
Less: Provision for debt impairment		(155 014)	(258 024)	(277 896)	(310 940)	(310 940)	(310 940)	(310 940)	(264 299)	(264 299)	(300 159)
<b>Total Consumer debtors</b>	2	51 029	45 290	53 256	54 268	54 268	54 268	54 268	59 913	35 668	24 053
<b>Debt impairment provision</b>											
Balance at the beginning of the year		135 861	177 483	258 024	310 940	310 940	310 940	310 940	324 212	324 212	324 212
Contributions to the provision		19 153	102 015	51 063	50 234	59 166	59 166	59 166	68 318	83 733	103 023
Bad debts written off		-	(21 474)	(31 191)	-	-	-	-	-	-	-
<b>Balance at end of year</b>		155 014	258 024	277 896	361 175	370 107	370 107	370 107	392 530	407 945	427 236
<b>Property, plant and equipment (PPE)</b>											
PPE at cost/valuation (excl. finance leases)		1 622 563	6 298 325	7 140 292	6 797 175	6 122 218	6 122 218	6 122 218	6 265 513	6 469 851	6 781 641
Leases recognised as PPE	3	-	-	357 736	-	-	-	-	-	-	-
Less: Accumulated depreciation		368 359	715 221	991 740	-	-	-	-	-	-	-
<b>Total Property, plant and equipment (PPE)</b>	2	1 254 204	5 583 104	6 148 909	6 797 175	6 122 218	6 122 218	6 122 218	6 265 513	6 469 851	6 781 641
<b>LIABILITIES</b>											
<b>Current liabilities - Borrowing</b>											
Short term loans (other than bank overdraft)					-						
Current portion of long-term liabilities		9 590	7 789	21 860 836	4 816	19 172	19 172	19 172	40 772	43 219	46 676
<b>Total Current liabilities - Borrowing</b>		9 590	7 789	21 861	4 816	19 172	19 172	19 172	40 772	43 219	46 676
<b>Trade and other payables</b>											
Trade and other creditors		146 386	178 611	320 384 270	87 876	207 453	207 453	207 453	133 500	141 510	150 001
Unspent conditional transfers		235 056	414 185	141 284 689	-	-	-	-	-	-	-
VAT		-	-	-	-	-	-	-	-	-	-
<b>Total Trade and other payables</b>	2	381 442	592 796	461 669	87 876	207 453	207 453	207 453	133 500	141 510	150 001
<b>Non current liabilities - Borrowing</b>											
Borrowing	4	66 868	67 757 235	46 051 409	263 608	160 147	160 147	160 147	164 366	191 228	208 501
Finance leases (including PPP asset element)		9 546	59 320	231 670	64	232	232	232	-	-	-
<b>Total Non current liabilities - Borrowing</b>		76 414	67 817	46 283	263 672	160 379	160 379	160 379	164 366	191 228	208 501
<b>Provisions - non-current</b>											
Retirement benefits			79 603	91 848	96 963	98 639	98 639	98 639	98 639	98 639	98 639
List other major provision items											
Refuse landfill site rehabilitation			1 091	1 200	1 260	1 260	1 260	1 260	1 392	145	160
Long Service Awards			3 317 000	3 915 078	4 150	4 150	4 150	4 150	21 971	24 089	26 413
<b>Total Provisions - non-current</b>		-	84 011	96 963	102 373	104 049	104 049	104 049	122 002	122 873	125 211
<b>CHANGES IN NET ASSETS</b>											
<b>Accumulated Surplus/(Deficit)</b>											
Accumulated Surplus/(Deficit) - opening balance		146 343	1 332 031	5 850 345	6 215 013	6 087 022	6 087 022	6 087 022	6 353 476	6 511 877	6 839 500
GRAP adjustments		(894)									
Restated balance		145 449	1 332 031	5 850 345	6 215 013	6 087 022	6 087 022	6 087 022	6 353 476	6 511 877	6 839 500
Surplus/(Deficit)		372 523	247 746	227 700	465 808	13 167	13 167	13 167	19 489	25 997	33 571
Appropriations to Reserves		(18 025)									
Transfers from Reserves		(327 682)				123 872	123 872	123 872			
Depreciation offsets		16 314									
Other adjustments		38 751	4 270 568								
<b>Accumulated Surplus/(Deficit)</b>	1	227 329	5 850 345	6 078 044	6 680 821	6 224 061	6 224 061	6 224 061	6 372 965	6 537 874	6 873 071
<b>Reserves</b>											
Housing Development Fund		1 841 730	-			-	-	-			
Capital replacement		65 288 503									
Capitalisation		208 468 930									
Government grant		820 718 871									
Donations and public contributions											
Self-insurance		8 360 067									
Other reserves (list)		22 775									
Revaluation		-									
<b>Total Reserves</b>	2	1 104 701	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	1 332 030	5 850 345	6 078 044	6 680 821	6 224 061	6 224 061	6 224 061	6 372 965	6 537 874	6 873 071

**SUPPORTING TABLE SA4 RECONCILIATION OF IDP BUDGET (REVENUE)**

Strategic Objective	Goal	Ref	2007/8	2008/9	2009/10	Current Year 2010/11		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast
R thousand								
To initiate a strong and sustainable Local/Regional Economic Development Potential and sustainable Environmental Management	Economic Development		6 823	2 284	2 515	19 258	14 238	14 238
To strengthen the Delivery of Basic Services and ensure sustained Intergrated Human Settlement supported by Infrastructure Development	Infrastructure & sustainable services		437 736	624 136	867 939	682 188	590 820	590 820
To formulate a Broad Over-arching Human Capital and Community Development	Human capital & community development		347 698	484 849	457 027	358 354	350 148	350 148
To build strong sustainable governance and institutional structures and arrangements	Institutional development & transformation		17 215	11 269	51 732	75 350	15 663	15 663
To ensure legally sound Financial viability and Management	Financial management & viability		195 023	232 437	232 064	499 148	535 021	535 021
Total Revenue (excluding capital transfers and contributions)		1	1 004 495	1 354 976	1 611 278	1 634 299	1 505 890	1 505 890

**SUPPORTING TABLE SA5 RECONCILIATION OF IDP STRATEGIC OBJECTIVES (EXPENDITURE)**

Strategic Objective	Goal	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
To initiate a strong and sustainable Local/Regional Economic Development Potential and sustainable Environmental Management	Economic Development		12 054	23 653	41 315	4 291	4 699	4 699	52 586	59 294	73 367
To strengthen the Delivery of Basic Services and ensure sustained Integrated Human Settlement supported by Infrastructure Development	Infrastructure & sustainable services		269 654	420 185	734 200	496 996	701 777	701 777	837 651	937 104	1 124 907
To formulate a Broad Over-arching Human Capital and Community Development	Human capital & community development		181 373	219 886	253 193	303 177	352 090	352 090	367 921	402 083	474 271
To build strong sustainable governance and institutional structures and arrangements	Institutional development & transformation		133 937	317 383	293 580	178 756	230 436	230 436	130 970	140 510	144 224
To ensure legally sound Financial viability and Management	Financial management & viability		34 953	126 122	61 290	185 271	203 720	203 720	198 671	211 033	226 925
		1	631 972	1 107 228	1 383 578	1 168 491	1 492 723	1 492 723	1 587 799	1 750 024	2 043 693

**SUPPORTING TABLE SA6 RECONCILIATION OF IDP STRATEGIC OBJECTIVES (CAPITAL)**

Strategic Objective	Goal	Goal Code	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand												
To initiate a strong and sustainable Local/Regional Economic Development Potential and sustainable Environmental Management	Economic Development			1 168	13 058	19 884	34 336	83 902	83 902	29 250	43 050	25 300
To strengthen the Delivery of Basic Services and ensure sustained Integrated Human Settlement supported by Infrastructure Development	Infrastructure & sustainable services			369 869	685 540	788 083	634 724	568 379	568 379	401 293	431 833	542 732
To formulate a Broad Over-arching Human Capital and Community Development	Human capital & community development			9 660	10 786	43 286	17 799	-	-	600	400	600
To build strong sustainable governance and institutional structures and arrangements	Institutional development & transformation			-	868	1 786	20 418	4 000	4 000	19 130	19 425	21 500
To ensure legally sound Financial viability and Management	Financial management & viability			584	231	341	-	-	-	7 550	10 000	11 000
			1	381 281	710 483	853 380	707 277	656 281	656 281	457 823	504 708	601 132

**SUPPORTING TABLE SA 10 FUNDING MEASUREMENT**

Description	MFMA section	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	426 796	567 213	(56 180)	203 596	94 418	94 418	94 418	85 925	130 442	208 677
Cash + investments at the yr end less applications - R'000	18(1)b	2	(90 763)	(302 479)	(454 307)	247 839	25 360	25 360	25 360	73 039	67 921	113 012
Cash year end/monthly employee/supplier payments	18(1)b	3	12.2	10.7	(0.9)	2.9	1.4	1.4	1.4	1.0	1.3	1.7
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	388 837	247 746	227 700	465 808	13 167	13 167	13 167	19 489	25 997	33 571
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	12.9%	24.2%	15.3%	(6.0%)	(6.0%)	(6.0%)	13.5%	16.6%	17.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	120.5%	217.7%	19.0%	120.7%	109.5%	109.5%	110%	103.7%	103.7%	103.2%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	9.3%	22.5%	8.7%	7.0%	8.1%	8.1%	8.1%	7.8%	7.8%	7.8%
Capital payments % of capital expenditure	18(1)c:19	8	100.0%	161.0%	99.8%	81.8%	67.2%	67.2%	67.2%	108.2%	111.7%	112.9%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.7%	0.1%	51.7%	50.8%	50.8%	50.8%	22.5%	24.9%	24.9%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								111.9%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(27.6%)	254.6%	(30.0%)	0.0%	0.0%	0.0%	(35.7%)	(39.0%)	(38.3%)
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	6.5%	45.0%	0.3%	0.0%	0.0%	0.0%	(100.0%)	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	5.2%	1.6%	2.0%	1.7%	2.7%	2.7%	2.4%	2.5%	2.5%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	36.6%	34.8%	34.8%	33.7%	54.5%	63.4%	0.0%

<b>Supporting indicators</b>												
% incr <i>total service charges (incl prop rates)</i>	18(1)a			18.9%	30.2%	21.3%	0.0%	0.0%	0.0%	0.0%	19.5%	22.6%
% incr Property Tax	18(1)a			9.4%	20.5%	10.7%	0.0%	0.0%	0.0%	0.0%	15.5%	15.0%
% incr Service charges - electricity revenue	18(1)a			29.0%	44.7%	29.3%	0.0%	0.0%	0.0%	0.0%	23.4%	27.6%
% incr Service charges - water revenue	18(1)a			13.1%	(1.4%)	8.8%	0.0%	0.0%	0.0%	0.0%	17.5%	12.2%
% incr Service charges - sanitation revenue	18(1)a			15.4%	(1.8%)	11.4%	0.0%	0.0%	0.0%	0.0%	(3.7%)	12.7%
% incr Service charges - refuse revenue	18(1)a			10.3%	9.3%	14.8%	0.0%	0.0%	0.0%	0.0%	9.7%	13.7%
% incr in Service charges - other	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total billable revenue	18(1)a		382 378	453 936	590 295	717 171	733 671	733 671	733 671	733 671	877 069	1 075 167
Service charges			380 446	452 340	588 882	714 466	714 466	714 466	714 466	714 466	854 005	1 046 663
Property rates			142 045	155 406	187 192	207 226	207 226	207 226	207 226	207 226	239 445	275 446
Service charges - electricity revenue			176 198	227 314	328 997	425 302	425 302	425 302	425 302	425 302	525 034	669 886
Service charges - water revenue			16 290	18 428	18 176	19 779	19 779	19 779	19 779	19 779	23 250	26 098
Service charges - sanitation revenue			11 171	12 886	12 657	14 106	14 106	14 106	14 106	14 106	13 577	15 308
Service charges - refuse removal			34 742	38 306	41 861	48 052	48 052	48 052	48 052	48 052	52 700	59 925
Service charges - other			-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment			1 932	1 596	1 412	2 705	19 205	19 205	19 205	19 205	23 064	28 504
Capital expenditure excluding capital grant funding			53 593	119 268	268 817	387 038	334 740	334 740	334 740	334 740	222 258	280 635
Cash receipts from ratepayers	18(1)a		619 803	1 138 964	155 135	1 120 478	990 294	990 294	990 294	990 294	1 086 661	1 288 901
Ratepayer & Other revenue	18(1)a		466 860	511 534	648 102	869 393	839 413	839 413	839 413	839 413	989 615	1 202 742
Change in consumer debtors (current and non-current)			47 372	(25 348)	170 051	(70 870)	(70 870)	(70 870)	(70 870)	(70 870)	(60 475)	(41 461)
Operating and Capital Grant Revenue	18(1)a		489 633	771 364	925 783	712 820	632 465	632 465	632 465	632 465	585 478	539 251
Capital expenditure - total	20(1)(vi)		381 275	710 483	853 380	707 284	656 282	656 282	656 282	656 282	427 581	474 873
Capital expenditure - renewal	20(1)(vi)		-	-	-	259 107	228 105	228 105	228 105	220 998	232 954	301 106
<b>Supporting benchmarks</b>												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPIX guideline			4.3%	3.9%	4.6%	5.2%	5.2%	5.2%	5.2%	5.2%	5.1%	4.3%

**SUPPORTING TABLE SA 11 PROPERTY RATES SUMMARY**

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Valuation:</b>	1									
Date of valuation:										
Financial year valuation used										
Municipal by-laws s6 in place? (Y/N)	2									
Municipal/assistant valuer appointed? (Y/N)										
Municipal partnership s38 used? (Y/N)										
No. of assistant valuers (FTE)	3									
No. of data collectors (FTE)	3									
No. of internal valuers (FTE)	3									
No. of external valuers (FTE)	3									
No. of additional valuers (FTE)	4									
Valuation appeal board established? (Y/N)										
Implementation time of new valuation roll (mths)										
No. of properties	5				61 518	61 518	61 518			
No. of sectional title values	5				4 305	4 305	4 305	4 422	4 422	4 422
No. of unreasonably difficult properties s7(2)					108	108	108	108	108	108
No. of supplementary valuations					2	2	2	2	2	1
No. of valuation roll amendments					-	-	-	-	-	-
No. of objections by rate payers					-	-	-	-	-	-
No. of appeals by rate payers					-	-	-	-	-	-
No. of successful objections	8				-	-	-	-	-	-
No. of successful objections > 10%	8				-	-	-	-	-	-
Supplementary valuation					2	2	2	2	2	1
Public service infrastructure value (Rm)	5				5	5	5	28	28	-
Municipality owned property value (Rm)					1 795	1 795	1 795	3 150	3 150	-
<b>Valuation reductions:</b>										
Valuation reductions-public infrastructure (Rm)					-	-	-	8	8	-
Valuation reductions-nature reserves/park (Rm)					-	-	-	-	-	-
Valuation reductions-mineral rights (Rm)					-	-	-	-	-	-
Valuation reductions-R15,000 threshold (Rm)					670	670	670	622	622	-
Valuation reductions-public worship (Rm)					293	293	293	293	293	-
Valuation reductions-other (Rm)					5 097	5 097	5 097	2 740	2 740	-
<b>Total valuation reductions:</b>		-	-	-	6 060	6 060	6 060	3 664	3 664	-
Total value used for rating (Rm)	5				34 869	34 869	34 869	33 726	33 726	-
Total land value (Rm)	5				-	-	-	-	-	-
Total value of improvements (Rm)	5				-	-	-	-	-	-
Total market value (Rm)	5				34 869	34 869	34 869	33 726	33 726	-
<b>Rating:</b>										
Residential rate used to determine rate for other categories? (Y/N)					Yes			Yes		
Differential rates used? (Y/N)	5				Yes			Yes		
Limit on annual rate increase (s20)? (Y/N)					no	No	No	No	No	
Special rating area used? (Y/N)					No			No		
Phasing-in properties s21 (number)					Jan-00	4739	4739	4739	4739	
Rates policy accompanying budget? (Y/N)					Yes			Yes		
Fixed amount minimum value (R'000)					80			80		
Non-residential prescribed ratio s19? (%)										
<b>Rate revenue:</b>										
Rate revenue budget (R'000)	6				285 896	285 896	285 896			
Rate revenue expected to collect (R'000)	6				203 864	203 864	203 864			
Expected cash collection rate (%)					92.0%	92.0%	92.0%	92.0%	92.0%	
Special rating areas (R'000)	7				-	-	-	-	-	-
Rebates, exemptions - indigent (R'000)					909	909	909			
Rebates, exemptions - pensioners (R'000)					1 152	1 152	1 152			
Rebates, exemptions - bona fide farm. (R'000)					183	183	183			
Rebates, exemptions - other (R'000)					70 429	70 429	70 429			
Phase-in reductions/discounts (R'000)					7 998	7 998	7 998			
<b>Total rebates,exemptns,reductns,discs (R'000)</b>		-	-	-	80 671	80 671	80 671	-	-	-

**SUPPORTING TABLE 12&13 PROPERTY RATES BY CATEGORY**

[illegible]

**SUPPORTING TABLE SA 14 HOUSEHOLD BILLS**

MP322 Mbombela - Supporting Table SA14 Household bills

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12 % incr.	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Rand/cent											
<b>Monthly Account for Household - 'Large' Household</b>	1										
Rates and services charges:											
Property rates		232.69	251.46	383.89	395.44	395.44	395.44	5.0%	415.21	444.28	475.38
Electricity: Basic levy		50.00	66.33	87.00	80.00	80.00	80.00	23.4%	98.72	120.44	146.93
Electricity: Consumption		345.00	458.30	689.66	860.50	860.50	860.50	23.4%	1 061.86	1 295.47	1 580.47
Water: Basic levy		37.83	40.86	44.13	47.66	47.66	47.66	8.0%	51.47	56.62	62.85
Water: Consumption		175.68	189.84	204.26	221.28	221.28	221.28	8.0%	238.98	262.88	291.80
Sanitation		222.93	240.79	240.00	254.40	254.40	254.40	10.0%	274.75	302.23	335.47
Refuse removal		75.71	81.77	88.31	97.14	97.14	97.14	8.0%	104.91	116.45	130.43
Other											
sub-total		1 139.84	1 329.35	1 737.25	1 956.42	1 956.42	1 956.42	14.8%	2 245.91	2 598.36	3 023.32
VAT on Services		127.00	150.90	189.47	218.54	218.54	218.54		256.30	301.57	356.71
Total large household bill:		1 266.84	1 480.25	1 926.72	2 174.96	2 174.96	2 174.96	15.0%	2 502.21	2 899.93	3 380.03
% increase/decrease			16.8%	30.2%	12.9%	-	-		15.0%	15.9%	16.6%
<b>Monthly Account for Household - 'Small' Household</b>	2										
Rates and services charges:											
Property rates		32.85	35.50	18.82	39.49	39.49	39.49	5.0%	41.46	44.37	47.47
Electricity: Basic levy		50.00	66.33	-	105.96	105.96	105.96	23.4%	130.75	159.52	194.62
Electricity: Consumption		171.81	228.23	370.86	364.61	364.61	364.61	23.4%	449.93	548.91	669.67
Water: Basic levy		37.33	40.86	-	47.66	47.66	47.66	8.0%	51.47	56.62	62.85
Water: Consumption		139.08	150.29	162.26	175.29	175.29	175.29	8.0%	189.31	208.24	231.15
Sanitation		188.63	203.74	152.00	235.40	235.40	235.40	10.0%	254.23	279.66	310.42
Refuse removal		75.71	81.77	28.31	98.04	98.04	98.04	8.0%	105.88	117.53	131.63
Other											
sub-total		695.41	806.72	732.25	1 066.45	1 066.45	1 066.45	14.7%	1 223.05	1 414.85	1 647.81
VAT on Services		92.76	107.97	99.88	143.77	143.77	143.77		165.42	191.87	224.05
Total small household bill:		788.17	914.69	832.13	1 210.22	1 210.22	1 210.22	14.7%	1 388.47	1 606.72	1 871.86
% increase/decrease			16.1%	(9.0%)	45.4%	-	-		14.7%	15.7%	16.5%
<b>Monthly Account for Household - 'Small' Household receiving free basic services</b>	3										
Rates and services charges:											
Property rates		32.85	35.50	18.82	19.40	19.40	19.40	5.0%	20.37	21.80	23.32
Electricity: Basic levy		-	-	-	-	-	-				
Electricity: Consumption		26.40	34.01	44.68	36.62	36.62	36.62	23.4%	45.19	55.13	67.26
Water: Basic levy		-	-	-	-	-	-				
Water: Consumption		-	-	-	-	-	-				
Sanitation		75.71	81.77	88.31	97.14	97.14	97.14	10.0%	104.91	116.45	130.43
Refuse removal											
Other											
sub-total		134.96	151.28	151.81	153.16	153.16	153.16	11.3%	170.47	193.38	221.01
VAT on Services		14.30	16.21	18.62	18.73	18.73	18.73		21.01	24.16	27.68
Total small household bill:		149.26	167.49	170.43	171.89	171.89	171.89	11.4%	191.48	217.54	248.69
% increase/decrease			12.2%	1.8%	0.9%	-	-		11.4%	13.6%	14.3%

**SUPPORTING TABLE SA 18 TRANSFERS 7 GRANTS RECIEPTS**

MP322 Mbombela - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		477 159	617 481	200 064	278 424	30 750	30 750	298 622	325 248	349 331
Local Government Equitable Share		117 864	151 160	198 406	247 674			282 081	312 447	332 931
Finance Management		500	500	916	1 000	1 000	1 000	1 250	1 500	1 500
Municipal Systems Improvement		734	735	742	750	750	750	790	800	900
Water Services Operating Subsidy		39 875	26 548		15 000	15 000	15 000	14 501	10 501	14 000
2010 World Cup Host City, Expanded PWP incentive		318 186	438 537		14 000	14 000	14 000	-	-	-
<b>Provincial Government:</b>		2 978	48 855	940	8 200	8 200	8 200	-	-	-
Health subsidy		2 100	-		8 200	8 200	8 200	-	-	-
Housing		318	-		-	-	-	-	-	-
Sport and Recreation		75	48 000		-	-	-	-	-	-
Seta		484	855	940	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	12 205	12 205	12 205	-	-	-
Library, Archives and Museum		-	-	-	-	-	-	-	-	-
Devolution of Property Rates and Taxes		-	-	-	12 205	12 205	12 205	-	-	-
<b>Total Operating Transfers and Grants</b>	5	480 137	666 336	201 004	298 829	51 155	51 155	298 622	325 248	349 331
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		128 480	325 088	287 563	158 482	158 482	158 482	220 932	214 003	223 870
Municipal Infrastructure (MIG)		65 852	62 212	136 093	127 087	127 087	127 087	155 031	188 503	198 870
Public Transport		55 000	207 328	75 833	15 000	15 000	15 000	45 000	20 000	20 000
Sport and Recreation		-	-	-	-	-	-	-	-	-
Water Affairs		7 628	26 048	19 923	-	-	-	-	-	-
Public Works		-	-	-	3 395	3 395	3 395	2 867	-	-
Integrated National Electrification & Elec Demand S		-	29 500	55 714	13 000	13 000	13 000	18 034	5 500	5 000
<b>Provincial Government:</b>		7 781	1 740	-	-	-	-	-	-	-
Provincial Government:		7 781	1 740	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		3 000	-	8 976	5 861	-	-	6 500	-	-
Department of Land Affairs		3 000	-	-	-	-	-	-	-	-
Neighbourhood Development Partnership Grant		-	-	8 976	5 861	-	-	6 500	-	-
<b>Total Capital Transfers and Grants</b>	5	139 261	326 828	296 539	164 343	158 482	158 482	227 432	214 003	223 870
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		619 397	993 164	497 543	463 172	209 637	209 637	526 054	539 251	573 201

**SUPPORTING TABLE SA19 EXPENDITURE ON GRANTS**

MP322 Mbombela - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		158 973	178 943	233 210	278 034	30 360	30 360	298 622	325 248	349 331
Local Government Equitable Share		117 864	151 160	198 406	247 674			282 081	312 447	332 931
Finance Management		500	500	916	1 000	1 000	1 000	1 250	1 500	1 500
Municipal Systems Improvement		734	735	742	360	360	360	790	800	900
Water Services Operating Subsidy		39 875	26 548	33 146	15 000	15 000	15 000	14 501	10 501	14 000
2010 World Cup Host City, Expanded PWP Incentive					14 000	14 000	14 000	-	-	-
<b>Provincial Government:</b>		2 903	855	1 897	8 200	8 200	8 200	-	-	-
Health subsidy		2 100 000		-	8 200	8 200	8 200	-	-	-
Housing		318 431		-	-	-	-	-	-	-
Sport and Recreation				-	-	-	-	-	-	-
DWAF: National Water week				578 410						
Other Provincial : Library ICT Operating Grant				259 584						
Other Provincial :Finance Management Grant				56 891						
Other Provincial : Municipal Support Programme Grant				41 400						
Other Provincial : Revenue Enhancement Grant				13 957						
Other Provincial Department of Housing : Low cost Seta		484 164	855 036	940 302	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	12 205	12 205	12 205	-	-	-
Library, Archives and Museum		-			-	-	-	-	-	-
Devolution of Property Rates and Taxes		-			12 205	12 205	12 205	-	-	-
<b>Other grant providers:</b>		75	-	162 632	-	-	-	-	-	-
Library, Archives and Museum										
PTIS (Public Transport Plan 2010)				101 394 276						
Municipal Infrastructure Grant (Operating projects)				7 989 290						
2010 Host City Operating Grant				50 604 758						
Office of the Premier : Chile base camp				748 239						
Electrification Programme Grant				1 895 296						
Space Norwegian		75								
Library, Archives and Museum										
					-	-	-	-	-	-
					-	-	-	-	-	-
<b>Total operating expenditure of Transfers and Grants:</b>		161 951	179 798	397 738	298 439	50 765	50 765	298 622	325 248	349 331
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		72 438	175 571	253 910	158 482	158 482	158 482	218 065	214 003	223 870
Municipal Infrastructure (MIG)		62 775	71 656	54 186	127 087	127 087	127 087	155 031	188 503	198 870
Public Transport		9 663	103 916	185 646	15 000	15 000	15 000	45 000	20 000	20 000
Sport and Recreation					-	-	-	-	-	-
Water Affairs				14 078 027	-	-	-	-	-	-
Public Works					3 395	3 395	3 395	-	-	-
Integrated National Electrification & Elec Demand Side					13 000	13 000	13 000	18 034	5 500	5 000
<b>Provincial Government:</b>		3 054	1 740	-	-	-	-	-	-	-
Provincial Government:		3 053 644	1 740		-	-	-	-	-	-

Other grant providers:	252 191	415 932	222 084	-	-	-	9 367	-	-
Intergrated National Electrification Programme			4 982 209						
Electricity Demand Side Management			8 768 749						
DWAF Grant	6 951 239	8 178 929	8 768 749						
DME	2 052 924	35 785 513	22 186 641						
2010 Stadium	240 186 651	371 967 808	178 940 416						
Department of Agriculture and Land Affairs	3 000 000								
Library ICT Capital Grant			184 859						
EPWP Grant			740 903				2 867	-	-
S.A National Roads Agency			6 245 684						
Neighbourhood Development Partnership Grant			35 000				6 500	-	-
Total capital expenditure of Transfers and Grants	327 682	593 243	475 994	158 482	158 482	158 482	227 432	214 003	223 870
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	489 633	773 042	873 733	456 921	209 247	209 247	526 054	539 251	573 201

**SUPPORTING TABLE SA 22 SUMMARY COUNCILLOR AND STAFF BENEFITS**

Summary of Employee and Councillor remuneration	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Salary		7 670	8 452	9 546	11 539	10 690	10 690	11 685	12 612	13 616
Pension Contributions		1 155	1 180	1 348	1 469	1 468	1 468	1 572	1 698	1 834
Medical Aid Contributions		289	341	329	364	340	340	374	411	453
Motor vehicle allowance		3 708	3 838	3 538	3 814	3 865	3 865	4 136	4 466	4 824
Cell phone allowance		-	-	830	903	910	910	890	961	1 038
Housing allowance		-	-	-	-	-	-	-	-	-
Other benefits or allowances		-	-	13	-	16	16	16	16	16
In-kind benefits		-	-	-	-	-	-	-	-	-
<b>Sub Total - Councillors</b>		12 821	13 811	15 605	18 089	17 289	17 289	18 673	20 166	21 780
% increase	4		7.7%	13.0%	15.9%	(4.4%)	-	8.0%	8.0%	8.0%
<b>Senior Managers of the Municipality</b>	2									
Salary		2 388	3 049	2 825	4 732	2 891	2 891	5 436	6 259	6 827
Pension Contributions		507	664	590	1 084	636	636	1 196	1 377	1 502
Medical Aid Contributions		129	160	152	259	135	135	367	438	482
Motor vehicle allowance		709	758	645	1 196	599	599	1 061	1 123	1 123
Cell phone allowance		-	-	41	75	90	90	204	233	252
Housing allowance		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Other benefits or allowances		-	123	70	177	98	98	108	14	14
In-kind benefits		-	-	-	-	-	-	-	-	-
<b>Sub Total - Senior Managers of Municipality</b>		3 732	4 754	4 322	7 523	4 449	4 449	8 372	9 444	10 199
% increase	4		27.4%	(9.1%)	74.1%	(40.9%)	-	88.2%	12.8%	8.0%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		122 175	145 682	184 742	212 345	216 573	216 573	238 850	255 593	282 681
Pension Contributions		26 792	31 620	34 759	49 061	42 809	42 809	57 460	61 244	65 328
Medical Aid Contributions		7 549	8 913	11 310	14 177	14 014	14 014	18 197	21 359	25 108
Motor vehicle allowance		9 191	11 491	14 149	16 031	15 095	15 095	18 508	19 556	20 727
Cell phone allowance		-	-	527	606	740	740	1 343	1 401	1 475
Housing allowance		6 141	6 874	2 432	3 062	2 476	2 476	3 478	3 471	3 464
Overtime		16 655	28 020	19 574	11 604	23 767	23 767	16 445	20 601	25 230
Performance Bonus		-	-	-	-	-	-	-	-	-
Other benefits or allowances		-	-	35 726	22 110	22 063	22 063	23 320	24 355	25 362
In-kind benefits		-	-	-	-	-	-	-	-	-
<b>Sub Total - Other Municipal Staff</b>		188 503	232 601	303 219	328 996	337 537	337 537	377 602	407 579	449 374
% increase	4		23.4%	30.4%	8.5%	2.6%	-	11.9%	7.9%	10.3%
<b>Total Parent Municipality</b>		205 057	251 166	323 146	354 608	359 275	359 275	404 647	437 189	481 353

**SUPPORTING TABLE SA 23 SALARIES**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No. 10	Salary	Contrib. 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 3.
Rand per annum								
<b>Councillors</b>	4							
Speaker	5		337 557	50 670	148 938			537 165
Chief Whip			305 558	58 389	140 845			504 792
Executive Mayor			645 948	–	39 978			685 926
Deputy Executive Mayor			–	–	–			–
Executive Committee			2 435 119	476 456	1 126 762			4 038 337
Total for all other councillors			7 960 506	1 360 672	3 585 238			12 906 416
<b>Total Councillors</b>	9	–	11 684 688	1 946 187	5 041 761			18 672 636
<b>Senior Managers of the Municipality</b>	6							
Municipal Manager (MM)			891 754	259 110	155 024	–	–	1 305 888
Chief Finance Officer			702 011	154 442	191 953	–	–	1 048 406
Deputy Municipal Manager: Strategic Governance & Corporate Support			555 455	166 827	143 317	–	–	865 599
Deputy Municipal Manager: Strategic Service Delivery & Community Support			666 546	200 192	171 981	–	–	1 038 719
			–	–	–	–	–	–
			–	–	–	–	–	–
<i>List of each official with packages &gt;= senior manager</i>								
General Manager: Corporate Support & Cooperative Governance Services			555 332	189 137	136 983	–	–	881 452
General Manager: Operations & Maintenance			591 004	130 021	160 427	–	–	881 452
General Manager: (In the Office of the DMM Strategic Governance & Corporate Support)			462 776	157 614	114 154	–	–	734 544
General Manager: (In the Office of the DMM Strategic Service Delivery & Community Support)			462 776	157 614	114 154	–	–	734 544
General Manager: Human Capital and Community Development Services			548 235	148 186	185 031	–	–	881 452
								–
								–
								–
								–
								–
								–
<b>Total Senior Managers of the Municipality</b>	9	–	5 435 889	1 563 143	1 373 024	–	–	8 372 056

**SUPPORTING TABLE SA24 SUMMARY OF PERSONNEL NUMBERS**

Summary of Personnel Numbers	Ref	2009/10			Current Year 2010/11			Budget Year 2011/12		
Number	1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)		-	-	71	-	-	71	-	-	71
Board Members of municipal entities	4	-	-	-	-	-	-	-	-	-
<b>Municipal employees</b>	5	-	-	-	-	-	-	-	-	-
Municipal Manager and Senior Managers	3	5	-	5	5	-	5	-	-	5
Other Managers	7	55	55	-	55	55	55	-	76	-
Professionals		-	-	-	-	-	-	-	-	-
<i>Finance</i>		-	-	-	-	-	-	-	-	-
<i>Spatial/town planning</i>		-	-	-	-	-	-	-	-	-
<i>Information Technology</i>		-	-	-	-	-	-	-	-	-
<i>Roads</i>		-	-	-	-	-	-	-	-	-
<i>Electricity</i>		-	-	-	-	-	-	-	-	-
<i>Water</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Refuse</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>		160	-	-	160	-	-	-	190	-
Technicians		-	-	-	-	-	-	-	-	-
<i>Finance</i>		-	-	-	-	-	-	-	-	-
<i>Spatial/town planning</i>		-	-	-	-	-	-	-	-	-
<i>Information Technology</i>		-	-	-	-	-	-	-	-	-
<i>Roads</i>		-	-	-	-	-	-	-	-	-
<i>Electricity</i>		-	-	-	-	-	-	-	-	-
<i>Water</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Refuse</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-
Clerks (Clerical and administrative)		199	199	-	199	199	-	-	412	-
Service and sales workers		392	392	-	392	392	-	-	422	-
Skilled agricultural and fishery workers		121	121	-	121	121	-	-	130	-
Craft and related trades		75	75	-	75	75	-	-	90	-
Plant and Machine Operators		86	86	-	86	86	-	-	90	-
Elementary Occupations		341	341	-	341	341	-	-	432	-
<b>TOTAL PERSONNEL NUMBERS</b>		<b>1 434</b>	<b>1 269</b>	<b>76</b>	<b>1 434</b>	<b>1 269</b>	<b>131</b>	<b>-</b>	<b>1 842</b>	<b>76</b>
% increase					-	-	72.4%	(100.0%)	45.2%	(42.0%)
<b>Total municipal employees headcount</b>	6								-	
Finance personnel headcount	8		132			127			127	
Human Resources personnel headcount	8		56			53			53	

**SUPPORTING TABLE SA 25 BUDGETED MONTHLY REV & EXPENDITURE**

Description	Ref	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Revenue By Source</b>																
Property rates		20 676	21 169	21 528	20 191	17 897	19 879	20 462	20 323	20 323	20 589	20 186	16 222	239 445	275 446	316 602
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		32 089	49 930	37 408	40 863	49 781	41 673	46 183	46 875	48 408	45 175	45 248	41 403	525 034	669 886	854 876
Service charges - water revenue		1 993	1 974	1 979	2 112	1 824	1 583	2 473	1 983	1 915	2 179	1 746	1 489	23 250	26 098	29 683
Service charges - sanitation revenue		1 190	1 079	1 161	1 146	1 112	807	1 425	1 099	1 021	1 243	1 010	1 284	13 577	15 308	17 502
Service charges - refuse revenue		4 350	4 378	4 385	4 273	4 508	4 412	4 419	4 473	4 428	4 452	4 250	4 373	52 700	59 925	69 129
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		1 141	4 467	1 544	1 689	1 582	1 439	1 544	1 499	1 347	1 360	3 001	2 453	23 064	28 504	35 454
Interest earned - external investments		389	266	266	217	177	273	169	100	1 518	18	698	211	4 301	4 301	4 301
Interest earned - outstanding debtors		1 744	1 604	1 802	1 838	1 960	1 437	1 382	1 487	1 410	1 374	1 266	1 034	18 339	20 173	22 190
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		322	342	405	375	282	189	226	204	211	135	272	778	3 742	4 301	4 944
Licences and permits		274	376	334	382	451	451	348	333	336	285	382	1 345	5 299	6 093	7 007
Agency services		3 766	5 242	4 919	4 711	3 914	4 634	3 878	4 310	4 364	3 921	5 387	22 643	71 688	82 441	94 807
Transfers recognised - operational		74 656	-	-	74 656	-	-	74 656	-	-	74 656	-	-	298 622	325 248	349 331
Other revenue		1 893	1 764	2 826	1 271	1 827	657	1 878	1 604	1 431	1 357	13 602	1 704	31 818	34 741	38 014
Gains on disposal of PPE		2 389	-	-	2 389	-	-	2 389	-	-	2 389	-	0	9 555	9 555	9 555
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>146 869</b>	<b>92 590</b>	<b>78 556</b>	<b>156 113</b>	<b>85 316</b>	<b>77 433</b>	<b>161 432</b>	<b>84 290</b>	<b>86 712</b>	<b>159 132</b>	<b>97 048</b>	<b>94 940</b>	<b>1 320 431</b>	<b>1 562 018</b>	<b>1 853 394</b>
<b>Expenditure By Type</b>																
Employee related costs		42 717	47 834	21 362	23 402	22 211	23 844	23 614	23 008	25 308	53 904	26 952	51 816	385 974	417 023	450 573
Remuneration of councillors		1 442	1 409	1 414	1 407	2 131	1 687	1 545	1 413	1 575	1 583	1 442	1 624	18 673	20 166	21 780
Debt impairment		5 693	5 693	5 693	5 693	5 693	5 693	5 693	5 693	5 693	5 693	5 693	5 693	68 318	83 733	103 023
Depreciation & asset impairment		29 374	29 374	29 374	29 374	29 374	29 374	29 374	29 374	29 374	29 374	29 374	29 374	352 484	359 534	366 725
Finance charges		3 456	3 456	3 456	3 456	3 456	11 825	909	909	909	909	909	7 820	41 467	43 018	44 666
Bulk purchases		34 656	37 413	24 102	24 280	25 916	31 943	23 837	26 305	24 750	25 661	22 904	21 675	323 443	404 993	507 030
Other materials		400	1 599	1 352	2 468	2 023	3 267	2 041	1 914	1 912	1 798	2 888	12 653	34 315	35 002	35 702
Contracted services		1 051	1 541	2 073	1 362	1 849	1 873	1 606	2 377	2 936	4 083	20 490	131 065	172 306	191 625	314 439
Transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure		7 253	9 195	8 420	5 384	5 384	9 398	11 713	8 990	10 846	8 500	7 166	98 570	190 819	194 930	199 755
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>126 041</b>	<b>137 514</b>	<b>97 246</b>	<b>96 825</b>	<b>98 036</b>	<b>118 905</b>	<b>100 332</b>	<b>99 983</b>	<b>103 304</b>	<b>131 505</b>	<b>117 818</b>	<b>360 292</b>	<b>1 587 799</b>	<b>1 750 024</b>	<b>2 043 693</b>
<b>Surplus/(Deficit)</b>		<b>20 829</b>	<b>(44 924)</b>	<b>(18 690)</b>	<b>59 289</b>	<b>(12 720)</b>	<b>(41 472)</b>	<b>61 100</b>	<b>(15 693)</b>	<b>(16 592)</b>	<b>27 627</b>	<b>(20 769)</b>	<b>(265 352)</b>	<b>(267 368)</b>	<b>(188 006)</b>	<b>(190 299)</b>
Transfers recognised - capital		27 680	35 608	37 771	33 776	24 552	21 479	10 839	20 140	23 045	20 089	10 926	20 953	286 856	214 003	223 870
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>48 509</b>	<b>(9 317)</b>	<b>19 080</b>	<b>93 065</b>	<b>11 831</b>	<b>(19 993)</b>	<b>71 939</b>	<b>4 448</b>	<b>6 453</b>	<b>47 716</b>	<b>(9 843)</b>	<b>(244 399)</b>	<b>19 489</b>	<b>25 997</b>	<b>33 571</b>
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>48 509</b>	<b>(9 317)</b>	<b>19 080</b>	<b>93 065</b>	<b>11 831</b>	<b>(19 993)</b>	<b>71 939</b>	<b>4 448</b>	<b>6 453</b>	<b>47 716</b>	<b>(9 843)</b>	<b>(244 399)</b>	<b>19 489</b>	<b>25 997</b>	<b>33 571</b>

**SUPPORTING TABLE SA 26**

Description	Ref	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand																
<b>Revenue by Vote</b>																
COUNCIL													-	-	-	-
COUNCIL SUPPORT		2	-	-	-	-	2	-	-	-	-	-	(4)	-	-	-
MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FINANCIAL SERVICES		49 666	52 630	48 036	46 332	41 950	44 574	40 303	43 708	57 049	44 811	35 335	55 083	559 475	628 525	692 979
STRATEGIC GOVERNANCE & CORPORATE SUPPORT		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORPORATE SUPPORT & CO-OPERATIVE GOVERNANCE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORPORATE SERVICES		1	13	2	12	2	2	12	3	15	-	-	2	62	65	69
ECONOMIC DEVELOPMENT , TOURISM & TRADE		1	1	3	1	2	1	2	1	1	1	6	87	105	115	127
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT		-	-	-	-	8 044	-	46	34	30	32	2 935	52	11 173	11 970	12 824
HUMAN & COMMUNITY DEVELOPMENT		11 056	12 550	12 175	11 819	10 626	11 589	10 720	12 004	11 447	10 286	12 667	39 212	166 150	191 632	222 454
MUNICIPAL PLANNING & DEVELOPMENT		32	63	153	32	80	42	78	36	54	34	310	4 364	5 278	5 766	6 302
INFRASTRUCTURE SERVICES													-	-	-	-
OPERATIONS & MAINTAINANCE		39 959	48 717	39 417	47 844	47 811	38 940	59 988	45 165	63 877	43 633	39 043	350 652	865 044	937 948	1 142 510
Example 14 - Vote14		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Example 15 - Vote15		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote		100 716	113 975	99 785	106 039	108 514	95 150	111 148	100 950	132 473	98 797	90 295	449 446	1 607 288	1 776 021	2 077 264
<b>Expenditure by Vote to be appropriated</b>																
COUNCIL		963	1 266	980	1 267	1 311	1 176	1 169	1 169	1 159	1 138	1 237	1 430	14 267	15 822	17 510
COUNCIL SUPPORT		669	880	681	881	911	818	813	813	806	791	860	994	9 917	10 662	11 466
MUNICIPAL MANAGER		154	138	182	156	152	184	159	185	117	174	290	344	2 236	2 334	2 439
FINANCIAL SERVICES		17 249	21 742	15 783	25 243	13 206	16 275	17 249	11 408	11 646	15 783	16 558	19 479	201 620	216 461	234 022
STRATEGIC GOVERNANCE & CORPORATE SUPPORT		796	970	798	902	728	782	729	1 092	563	798	757	860	9 775	2 148	2 446
CORPORATE SUPPORT & CO-OPERATIVE GOVERNANCE		1 281	1 392	1 145	2 589	914	992	1 046	1 568	808	858	657	1 067	14 318	15 650	16 968
CORPORATE SERVICES		4 034	4 112	4 205	4 509	4 255	4 543	4 843	5 759	3 969	4 152	4 411	3 795	52 586	59 294	73 367
ECONOMIC DEVELOPMENT , TOURISM & TRADE		550	780	551	894	1 015	533	1 271	516	671	1 173	494	458	8 908	18 892	19 651
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT		305	366	358	300	236	356	314	365	326	336	560	494	4 315	4 877	5 159
HUMAN & COMMUNITY DEVELOPMENT		20 881	35 761	24 044	43 880	20 232	28 271	30 603	30 437	32 205	30 338	25 428	45 841	367 921	402 083	474 271
MUNICIPAL PLANNING & DEVELOPMENT		2 885	2 752	2 800	2 479	2 391	2 837	2 247	2 291	2 494	2 097	2 760	5 825	33 858	41 927	40 929
INFRASTRUCTURE SERVICES		2 784	2 713	2 761	2 444	2 358	2 798	2 216	2 259	2 459	2 068	2 722	5 794	33 375	28 196	27 657
OPERATIONS & MAINTAINANCE		62 111	68 075	69 264	61 326	69 161	70 188	65 600	66 674	61 691	61 889	68 286	110 439	834 703	931 677	1 117 811
Example 14 - Vote14		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Example 15 - Vote15		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote		114 663	140 946	123 550	146 871	116 870	129 753	128 259	124 537	118 916	121 595	125 020	196 819	1 587 799	1 750 024	2 043 693
<b>Surplus/(Deficit) before assoc.</b>																
Taxation		(13 946)	(26 971)	(23 765)	(40 832)	(8 356)	(34 604)	(17 112)	(23 586)	13 557	(22 798)	(34 725)	252 627	19 489	25 997	33 571
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	(13 946)	(26 971)	(23 765)	(40 832)	(8 356)	(34 604)	(17 112)	(23 586)	13 557	(22 798)	(34 725)	252 627	19 489	25 997	33 571

**SUPPORTING TABLE SA 27**

Description	Ref	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand																
Revenue - Standard																
Governance and administration		20 852	21 346	41 705	50 368	66 080	74 056	58 639	68 500	64 500	25 765	20 363	49 367	561 542	630 784	695 448
Executive and council		-	-	-	-	6	-	-	-	-	-	-	(6)	-	-	-
Budget and treasury office		20 676	21 169	41 528	50 191	65 897	73 879	58 462	68 323	64 323	25 589	20 186	49 258	559 481	628 532	692 986
Corporate services		177	177	177	177	177	177	177	177	177	177	177	115	2 061	2 252	2 462
Community and public safety		1 742	3 839	3 950	3 635	5 056	1 302	3 403	1 398	799	383	435	32 579	58 522	61 797	74 293
Community and social services		142	245	125	184	98	56	103	152	145	58	65	(164)	1 210	1 298	1 394
Sport and recreation		345	1 452	2 845	3 451	2 415	1 245	1 875	1 245	654	325	370	127	16 351	21 218	27 545
Public safety		-	-	85	-	-	-	-	-	-	-	-	31 989	32 074	29 854	35 352
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		1 254	2 142	895	-	2 543	-	1 425	-	-	-	-	628	8 886	9 427	10 002
Economic and environmental services		8 704	10 597	11 506	12 704	13 503	9 227	6 704	3 704	5 466	2 406	2 603	285 542	372 663	312 223	336 334
Planning and development		251	251	251	251	251	251	251	251	251	251	251	(38)	2 728	3 001	3 301
Road transport		8 452	10 345	11 254	12 452	13 251	8 975	6 452	3 452	5 215	2 154	2 351	285 580	369 935	309 222	333 032
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading services		39 621	57 360	44 932	48 394	57 225	48 474	54 501	54 430	55 772	53 049	52 253	48 549	614 561	771 217	971 190
Electricity		32 089	49 930	37 408	40 863	49 781	41 673	46 183	46 875	48 408	45 175	45 248	41 403	525 034	669 886	854 876
Water		1 993	1 974	1 979	2 112	1 824	1 583	2 473	1 983	1 915	2 179	1 746	1 489	23 250	26 098	29 683
Waste water management		1 190	1 079	1 161	1 146	1 112	807	1 425	1 099	1 021	1 243	1 010	1 284	13 577	15 308	17 502
Waste management		4 350	4 378	4 385	4 273	4 508	4 412	4 419	4 473	4 428	4 452	4 250	4 373	52 700	59 925	69 129
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue - Standard		70 919	93 141	102 092	115 102	141 065	133 059	123 247	128 031	126 537	81 603	75 655	416 038	1 607 288	1 776 021	2 077 264
Expenditure - Standard																
Governance and administration		21 988	31 077	25 421	26 782	26 948	27 248	24 354	22 872	23 726	24 040	30 212	(27 991)	256 679	276 062	304 220
Executive and council		2 314	3 452	2 415	2 875	2 949	3 542	2 585	2 145	1 843	1 314	542	1 072	27 048	29 549	32 248
Budget and treasury office		15 422	18 143	14 251	16 254	15 245	17 254	18 245	15 245	17 521	17 254	18 245	12 816	195 896	207 810	221 095
Corporate services		4 252	9 482	8 754	7 652	8 754	6 452	3 525	5 482	4 363	5 472	11 425	(41 878)	33 735	38 702	50 877
Community and public safety		15 793	21 808	24 261	21 611	21 006	20 999	19 200	17 520	18 321	16 733	17 281	147 480	362 012	397 003	466 399
Community and social services		4 452	5 245	5 422	3 452	4 562	4 863	4 658	3 452	3 245	2 542	2 451	175 816	220 160	247 638	306 893
Sport and recreation		5 252	9 482	8 754	8 652	8 754	9 452	6 525	5 482	7 363	9 472	11 425	(81 225)	9 388	9 999	10 657
Public safety		4 452	5 524	7 894	7 652	6 524	5 425	6 452	7 625	6 522	3 452	2 145	52 832	116 501	122 402	128 708
Housing		311	311	311	311	311	311	311	311	311	311	311	311	3 737	3 952	4 182
Health		1 325	1 245	1 880	1 543	854	948	1 254	649	880	955	948	(254)	12 225	13 012	15 959
Economic and environmental services		8 795	9 130	10 139	8 446	10 052	9 387	7 860	7 049	8 250	9 205	8 516	524 944	621 774	645 748	737 271
Planning and development		3 125	2 542	2 879	2 765	3 521	2 356	2 452	2 752	2 562	2 314	2 845	(15 626)	14 490	15 862	17 350
Road transport		5 625	6 542	7 214	5 635	6 485	6 985	5 363	4 251	5 642	6 845	5 626	540 441	606 656	629 210	719 195
Environmental protection		45	45	45	45	45	45	45	45	45	45	45	128	628	675	726
Trading services		2 365	45 836	38 737	19 256	21 933	20 903	19 243	18 228	22 144	21 940	38 519	75 705	344 810	428 497	532 884
Electricity		-	43 410	36 414	16 830	19 708	18 368	16 808	15 763	20 011	19 708	36 414	73 458	316 891	398 113	499 767
Water		585	645	542	646	445	754	654	685	352	452	325	467	6 552	6 880	7 264
Waste water management		142	142	142	142	142	142	142	142	142	142	142	141	1 698	1 868	2 054
Waste management		1 639	1 639	1 639	1 639	1 639	1 639	1 639	1 639	1 639	1 639	1 639	1 639	19 669	21 636	23 799
Other		-	-	-	-	-	-	-	-	-	-	-	2 525	2 525	2 715	2 920
Total Expenditure - Standard		48 941	107 850	98 558	76 095	79 940	78 538	70 657	65 670	72 441	71 919	94 529	722 662	1 587 799	1 750 024	2 043 693
Surplus/(Deficit) before assoc.		21 978	(14 709)	3 534	39 007	61 925	54 521	52 589	62 361	54 097	9 684	(18 875)	(306 624)	19 489	25 997	33 571
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1	21 978	(14 709)	3 534	39 007	61 925	54 521	52 589	62 361	54 097	9 684	(18 875)	(306 624)	19 489	25 997	33 571

**SUPPORTING TABLE SA 28**

Description	Ref	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Multi-year expenditure to be appropriated</b>	1															
COUNCIL		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COUNCIL SUPPORT		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FINANCIAL SERVICES		-	-	-	104	-	780	-	3 120	564	-	-	1 132	5 700	8 700	10 000
STRATEGIC GOVERNANCE & CORPORATE SUPPORT													-	-	-	-
CORPORATE SUPPORT & CO-OPERATIVE GOVERNANCE													-	-	-	-
CORPORATE SERVICES		-	-	2 145	-	3 452	1 451	2 451	3 452	1 598	-	-	(0)	14 550	16 350	21 000
ECONOMIC DEVELOPMENT , TOURISM & TRADE				2 451	-	2 000	-	1 525		3 212	-	-	312	9 500	29 800	19 950
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT													750	750	3 750	7 700
HUMAN & COMMUNITY DEVELOPMENT			1 254	2 514	2 143	-	-	12 451	8 452	3 252	3 625	-	458	34 150	47 350	58 350
MUNICIPAL PLANNING & DEVELOPMENT				5 245	15 425	8 452	3 500	23 143	32 451	36 452	52 415	25 351	23 812	226 247	263 477	257 912
INFRASTRUCTURE SERVICES			1 245	3 524	5 425	15 235	4 521	15 245	14 251	15 245	21 452	20 451	20 088	136 684	105 446	165 042
OPERATIONS & MAINTAINANCE													-	-	-	-
Example 14 - Vote 14													-	-	-	-
Example 15 - Vote 15													-	-	-	-
Capital multi-year expenditure sub-total	2	-	2 499	15 880	23 097	29 139	10 253	54 815	61 727	60 325	77 493	45 802	46 552	427 581	474 873	539 953
<b>Single-year expenditure to be appropriated</b>																
COUNCIL													-	-	-	-
COUNCIL SUPPORT													-	-	-	-
MUNICIPAL MANAGER													-	-	-	-
FINANCIAL SERVICES				845									505	1 350	500	-
STRATEGIC GOVERNANCE & CORPORATE SUPPORT													-	-	-	-
CORPORATE SUPPORT & CO-OPERATIVE GOVERNANCE													-	-	-	-
CORPORATE SERVICES					1 254		895		524				807	3 480	375	-
ECONOMIC DEVELOPMENT , TOURISM & TRADE						549							601	1 150	-	-
STRATEGIC SERVICE DELIVERY & UNITY SUPPORT				1 254		1 254		542					1 399	4 450	4 550	5 559
HUMAN & COMMUNITY DEVELOPMENT									350				-	350	3 250	8 451
MUNICIPAL PLANNING & DEVELOPMENT													5 000	5 000	-	-
INFRASTRUCTURE SERVICES				2 514	1 525		978	2 452	1 255	2 354	1 254		2 130	14 462	21 160	47 170
OPERATIONS & MAINTAINANCE													-	-	-	-
Example 14 - Vote 14													-	-	-	-
Example 15 - Vote 15													-	-	-	-
Capital single-year expenditure sub-total	2	-	-	4 614	2 779	1 803	1 873	2 994	2 129	2 354	1 254	-	10 442	30 242	29 835	61 179
<b>Total Capital Expenditure</b>	2	-	2 499	20 494	25 876	30 942	12 126	57 809	63 856	62 679	78 747	45 802	56 994	457 823	504 708	601 133

**SUPPORTING TABLE SA 29**

Description	Ref	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Capital Expenditure - Standard</b>	<b>1</b>															
<i>Governance and administration</i>		-	-	5 593	3 388	5 657	1 949	4 904	7 856	2 878	3 594	224	706	36 750	57 225	47 050
Executive and council		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	2 450	1 245	2 875	524	1 452	3 542	1 453	1 452	-	706	15 700	34 050	21 600
Corporate services		-	-	3 143	2 143	2 782	1 425	3 452	4 314	1 425	2 142	224	0	21 050	23 175	25 450
<i>Community and public safety</i>		-	2 784	6 394	11 100	3 786	1 460	6 194	7 363	7 352	5 422	4 521	3 123	59 500	36 100	42 601
Community and social services		-	1 242	2 143	5 352	1 245	215	1 542	1 578	1 000	-	-	184	14 500	16 100	22 601
Sport and recreation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety		-	1 542	4 251	5 748	2 541	1 245	4 652	5 785	6 352	5 422	4 521	2 940	45 000	20 000	20 000
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	1 245	5 574	7 999	10 016	1 900	11 905	11 904	12 383	16 599	13 452	92 589	185 566	204 065	293 333
Planning and development		-	-	2 149	2 547	3 564	645	3 453	2 452	2 541	1 254	-	895	19 500	17 000	12 700
Road transport		-	1 245	3 425	5 452	6 452	1 254	8 452	9 452	9 842	15 345	13 452	91 694	166 066	187 065	280 633
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	4 613	13 236	23 497	31 510	5 848	29 007	30 742	28 645	28 056	21 792	(40 939)	176 007	207 318	218 148
Electricity		-	1 301	4 315	6 845	8 975	2 451	12 451	14 251	8 425	6 524	3 254	4 376	73 169	70 200	78 500
Water		-	1 245	3 425	5 452	9 452	1 254	8 452	9 452	10 415	15 345	13 452	(8 838)	69 108	95 618	95 448
Waste water management		-	1 542	4 251	8 748	9 541	1 245	4 652	5 785	8 352	5 422	4 521	(36 930)	17 130	15 000	-
Waste management		-	524	1 245	2 451	3 542	897	3 451	1 254	1 452	765	564	453	16 600	26 500	44 200
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	<b>2</b>	-	8 641	30 797	45 984	50 970	11 157	52 010	57 865	51 258	53 672	39 989	55 480	457 823	504 708	601 132

**SUPPORTING TABLE SA 30**

MONTHLY CASH FLOWS	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Cash Receipts By Source</b>													1		
Property rates	12 676	21 169	21 528	20 191	17 897	19 879	20 462	20 323	20 323	20 589	20 186	5 066	220 289	253 410	291 274
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	22 089	29 930	37 408	40 863	49 781	41 673	46 183	46 875	48 408	45 175	45 248	29 400	483 031	616 295	786 486
Service charges - water revenue	993	1 974	1 979	2 112	1 824	1 583	2 473	1 983	1 915	2 179	1 746	629	21 390	24 010	27 308
Service charges - sanitation revenue	190	1 079	1 161	1 146	1 112	807	1 425	1 099	1 021	1 243	1 010	1 198	12 491	14 083	16 101
Service charges - refuse revenue	350	4 378	4 385	4 273	4 508	4 412	4 419	4 473	4 428	4 452	4 250	4 130	48 456	55 131	63 599
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	1 141	4 467	1 544	1 689	1 582	1 439	1 544	1 499	1 347	1 360	3 001	2 453	23 064	28 504	35 454
Interest earned - external investments	189	166	166	117	177	273	169	100	518	18	198	193	2 283	2 283	2 283
Interest earned - outstanding debtors	1 744	1 604	1 802	1 838	1 960	1 437	1 382	1 487	1 410	1 374	1 266	3 052	20 357	22 191	24 208
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	322	342	405	375	282	189	226	204	211	135	272	778	3 742	4 301	4 944
Licences and permits	274	376	334	382	451	451	348	333	336	285	382	1 345	5 299	6 093	7 007
Agency services	3 766	5 242	4 919	4 711	3 914	4 634	3 878	4 310	4 364	3 921	5 387	22 643	71 688	82 441	94 807
Transfer receipts - operational	74 656	-	-	74 656	-	-	74 656	-	-	74 656	-	-	298 622	325 248	349 331
Other revenue	1 893	1 764	2 826	1 271	1 827	657	1 878	1 604	1 431	1 357	13 602	1 704	31 818	34 741	38 014
<b>Cash Receipts by Source</b>	<b>120 281</b>	<b>72 490</b>	<b>78 456</b>	<b>153 625</b>	<b>85 316</b>	<b>77 433</b>	<b>159 043</b>	<b>84 290</b>	<b>85 712</b>	<b>156 743</b>	<b>96 548</b>	<b>72 592</b>	<b>1 242 529</b>	<b>1 468 730</b>	<b>1 740 816</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	-	-	-	-	-	-	-	-	-	-	-	234 065	234 065	236 003	253 870
Contributions recognised - capital & Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	2 389	-	-	2 389	-	-	2 389	-	-	2 389	-	0	9 555	9 555	9 555
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	50 000	50 000	70 000	80 000
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	133 200	133 200	135 864	138 581
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Receipts by Source</b>	<b>122 669</b>	<b>72 490</b>	<b>78 456</b>	<b>156 013</b>	<b>85 316</b>	<b>77 433</b>	<b>161 432</b>	<b>84 290</b>	<b>85 712</b>	<b>159 132</b>	<b>96 548</b>	<b>489 857</b>	<b>1 669 348</b>	<b>1 920 152</b>	<b>2 222 822</b>
<b>Cash Payments by Type</b>															
Employee related costs	42 717	47 834	21 362	23 402	22 211	23 844	23 614	23 008	25 308	53 904	26 952	45 712	379 869	410 430	443 453
Remuneration of councillors	1 442	1 409	1 414	1 407	2 131	1 687	1 545	1 413	1 575	1 583	1 442	3 275	20 324	21 949	23 705
Collection costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest paid	3 456	3 456	3 456	3 456	3 456	11 825	909	909	909	909	909	7 820	41 467	43 018	44 666
Bulk purchases - Electricity	34 656	37 413	24 102	24 280	25 916	31 943	23 837	26 305	24 750	25 661	22 904	25 201	326 969	408 696	510 854
Bulk purchases - Water & Sewer	546	546	546	546	546	546	546	546	546	546	546	546	6 552	6 880	7 264
Other materials	400	1 599	1 352	2 468	2 023	3 267	2 041	1 914	1 912	1 798	2 888	12 653	34 315	35 002	35 702
Contracted services	1 051	1 541	2 073	1 362	1 849	1 873	1 606	2 377	2 936	4 083	20 490	37 140	78 380	82 535	87 074
Grants and subsidies paid - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants and subsidies paid - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General expenses	7 253	9 195	8 420	5 384	5 384	9 398	11 713	8 990	10 846	8 500	7 166	207 411	299 659	312 477	326 040
<b>Cash Payments by Type</b>	<b>91 520</b>	<b>102 993</b>	<b>62 726</b>	<b>62 304</b>	<b>63 515</b>	<b>84 384</b>	<b>65 811</b>	<b>65 462</b>	<b>68 783</b>	<b>96 984</b>	<b>83 297</b>	<b>339 757</b>	<b>1 187 535</b>	<b>1 320 986</b>	<b>1 478 758</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	-	35 608	37 771	33 776	24 552	21 479	10 839	20 140	23 045	20 089	10 926	31 041	269 265	247 503	267 870
Repayment of borrowing	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	1 800	21 600	22 140	22 694
Other Cash Flows/Payments	-	20 452	22 875	12 542	14 251	25 415	28 542	15 246	17 255	18 356	12 549	11 716	199 200	251 369	350 645
<b>Total Cash Payments by Type</b>	<b>93 320</b>	<b>160 853</b>	<b>125 172</b>	<b>110 422</b>	<b>104 118</b>	<b>133 078</b>	<b>106 992</b>	<b>102 648</b>	<b>110 882</b>	<b>137 230</b>	<b>108 572</b>	<b>384 315</b>	<b>1 677 600</b>	<b>1 841 998</b>	<b>2 119 966</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>29 350</b>	<b>(88 363)</b>	<b>(46 716)</b>	<b>45 591</b>	<b>(18 802)</b>	<b>(55 645)</b>	<b>54 440</b>	<b>(18 358)</b>	<b>(25 170)</b>	<b>21 902</b>	<b>(12 023)</b>	<b>105 542</b>	<b>(8 252)</b>	<b>78 154</b>	<b>102 856</b>
Cash/cash equivalents at the month/year begin:	94 419	123 768	35 405	(11 310)	34 281	15 479	(40 166)	14 274	(4 084)	(29 254)	(7 352)	(19 375)	94 419	86 167	164 321
Cash/cash equivalents at the month/year end:	123 768	35 405	(11 310)	34 281	15 479	(40 166)	14 274	(4 084)	(29 254)	(7 352)	(19 375)	86 167	86 167	164 321	267 177

**SUPPORTING TABLE SA 34A**

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14	
Capital expenditure on new assets by Asset Class/Sub-class											
Infrastructure		118 297	219 266	361 812	426 248	406 248	406 248	160 295	193 154	213 228	
Infrastructure - Road transport		40 542	46 677	189 223	127 731	112 731	112 731	42 615	32 400	68 456	
Roads, Pavements & Bridges		40 542	46 677	189 223	110 374 328	95 374	95 374	42 615	32 400	68 456	
Storm water					17 357 000	17 357	17 357				
Infrastructure - Electricity		12 304	65 741	65 741	131 924	126 924	126 924	31 239	28 200	22 300	
Generation		11 958	65 741	65 741	43 140	43 140	43 140	500	10 350	1 250	
Transmission & Reticulation					87 784 000	82 784	82 784	30 739	17 850	21 050	
Street Lighting		345	-	-	1 000 000	1 000	1 000				
Infrastructure - Water		40 036	28 902	28 902	84 448	84 448	84 448	44 041	72 604	49 572	
Dams & Reservoirs					-	-	-	-	-	-	
Water purification					23 583 374	23 583	23 583				
Reticulation		40 036	28 902	28 902	60 865 000	60 865	60 865	44 041	72 604	49 572	
Infrastructure - Sanitation		15 102	16 956	16 956	38 716	38 716	38 716	30 000	39 000	51 000	
Reticulation					29 716	29 716	29 716	30 000	39 000	51 000	
Sewerage purification		15 102	16 956	16 956	9 000 000	9 000	9 000				
Infrastructure - Other		10 314	60 990	60 990	43 428	43 428	43 428	12 400	20 950	21 900	
Waste Management		2 426	4 917	4 917	14 048 000	14 048	14 048				
Transportation											
Gas					-	-	-	-	-	-	
Other		3	7 888	56 073	56 073	29 380	29 380	29 380	12 400	20 950	21 900
Community			245 769	440 760	440 760	11 986	11 986	11 986	12 500	7 000	5 500
Parks & gardens			245 219	441	441						
Sportsfields & stadia			10	419 523	419 523						
Swimming pools											
Community halls									3 000	1 000	5 500 000
Libraries											
Recreational facilities											
Fire, safety & emergency					2 355	2 355	3 649 088	3 649	3 649		
Security and policing							6 500	6 500	6 500		
Buses											
Clinics											
Museums & Art Galleries					62	62				3 000	6 000
Cemeteries											
Social rental housing	8					1 837	1 837	1 837			
Other			540	18 380	18 380	-	-	-	6 500	-	-
Heritage assets		-	-	-	-	-	-	-	-	-	
Buildings											
Other											
Investment properties		-	-	-	-	-	-	-	-	-	
Housing development											
Other											
Other assets		17 209	50 807	50 807	3 949	3 949	3 949	63 530	70 100	78 298	
General vehicles		2 520	8 472	8 472	638	638	638				
Specialised vehicles		666									
Plant & equipment					2 300	2 300	2 300				
Computers - hardware/equipment					-	-	-				
Furniture and other office equipment		228	329	329	1 011	1 011	1 011				
Abattoirs											
Markets											
Civic Land and Buildings											
Other Buildings						-	-	-	-	-	
Other Land			779								
Surplus Assets - (Investment or Inventory)											
Other			13 016	42 006	42 006				63 530	70 100	78 298
Agricultural assets			-	-	-	-	-	-	-	-	-
List sub-class											
Biological assets		-	-	-	-	-	-	-	-	-	
List sub-class											
Intangibles		-	-	-	5 995	5 995	5 995	500	1 500	3 000	
Computers - software & programming					5 995	5 995	5 995	500	1 500	3 000	
Other (list sub-class)											
Total Capital Expenditure on new assets	1	381 275	710 834	853 380	448 177	428 177	428 177	236 825	271 754	300 026	

**SUPPORTING TABLE SA 34B**

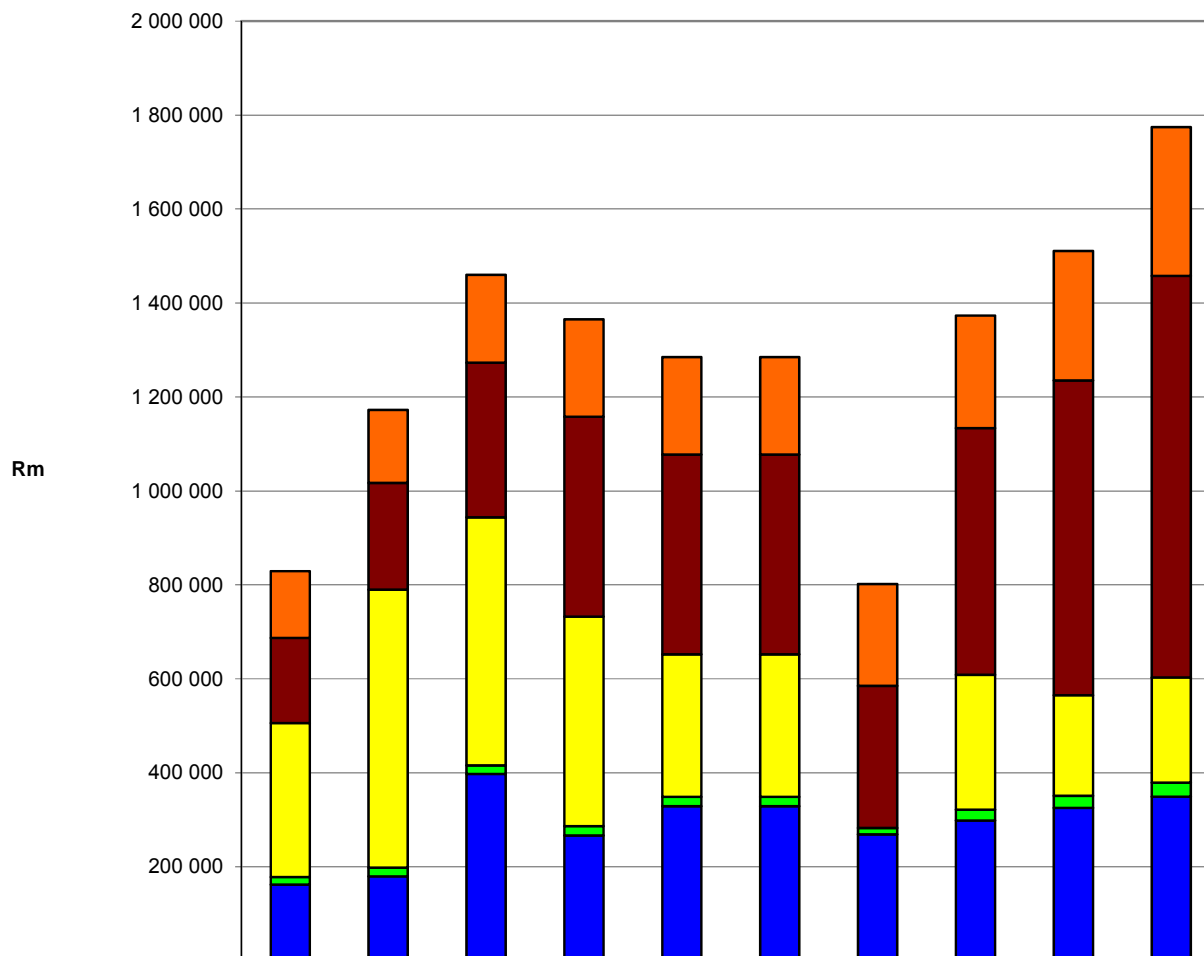
Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14	
Capital expenditure on renewal of existing assets by Asset Class/Sub-class											
Infrastructure	2	-	-	-	251 952	220 949	220 949	178 998	178 429	234 720	
Infrastructure - Road transport		-	-	-	91 979	168 740	168 740	48 390	56 049	78 500	
Roads, Pavements & Bridges					91 379 410	168 140	168 140	48 390	56 049	78 500	
Storm water					600 000	600	600				
Infrastructure - Electricity		-	-	-	57 821	36 173	36 173	34 300	45 900	54 100	
Generation					-	3 840	3 840				
Transmission & Reticulation					57 821 400	22 833	22 833	34 300	45 900	54 100	
Street Lighting					-	9 500	9 500				
Infrastructure - Water		-	-	-	87 995	4 440	4 440	48 231	52 574	54 675	
Dams & Reservoirs					3 840 000	1 225	1 225				
Water purification					74 654 774						
Reticulation					9 500 000	3 215	3 215	48 231	52 574	54 675	
Infrastructure - Sanitation		-	-	-	9 716	7 156	7 156	38 577	22 856	45 073	
Reticulation								29 077	21 806	42 700	
Sewerage purification					9 716 000	7 156	7 156	9 500	1 050	2 373	
Infrastructure - Other		-	-	-	4 440	4 440	4 440	9 500	1 050	2 373	
Waste Management					1 225 000	1 225 000	1 225 000				
Transportation											
Gas											
Other											
Community		3				3 215 000	3 215 000	3 215 000	9 500 000	1 050 000	2 372 500
			-	-	-	7 156	7 156	7 156	10 700	12 000	12 000
Parks & gardens		7									
Sportsfields & stadia									10 700	12 000	12 000
Swimming pools											
Community halls								3 400 000	3 000 000	2 000 000	
Libraries											
Recreational facilities											
Fire, safety & emergency					7 155 500	7 155 500	7 155 500				
Security and policing											
Buses											
Clinics											
Museums & Art Galleries	8										
Cemeteries											
Social rental housing											
Other							500 000	450 000	300 000		
Heritage assets		-	-	-	-	-	-	-	-	-	
Buildings	9										
Other											
Investment properties		-	-	-	-	-	-	-	-	-	
Housing development											
Other											
Other assets		-	-	-	-	-	-	31 300	42 525	54 387	
General vehicles	10										
Specialised vehicles											
Plant & equipment											
Computers - hardware/equipment											
Furniture and other office equipment											
Abattoirs											
Markets											
Civic Land and Buildings											
Other Buildings											
Other Land											
Surplus Assets - (Investment or Inventory)											
Other								31 300	42 525	54 387	
Agricultural assets		-	-	-	-	-	-	-	-	-	
List sub-class											
Biological assets		-	-	-	-	-	-	-	-	-	
List sub-class											
Intangibles		-	-	-	-	-	-	-	-	-	
Computers - software & programming											
Other (list sub-class)											
Total Capital Expenditure on renewal of existing ass	1	-	-	-	259 107	228 105	228 105	220 998	232 954	301 106	

**SUPPORTING TABLE 34C**

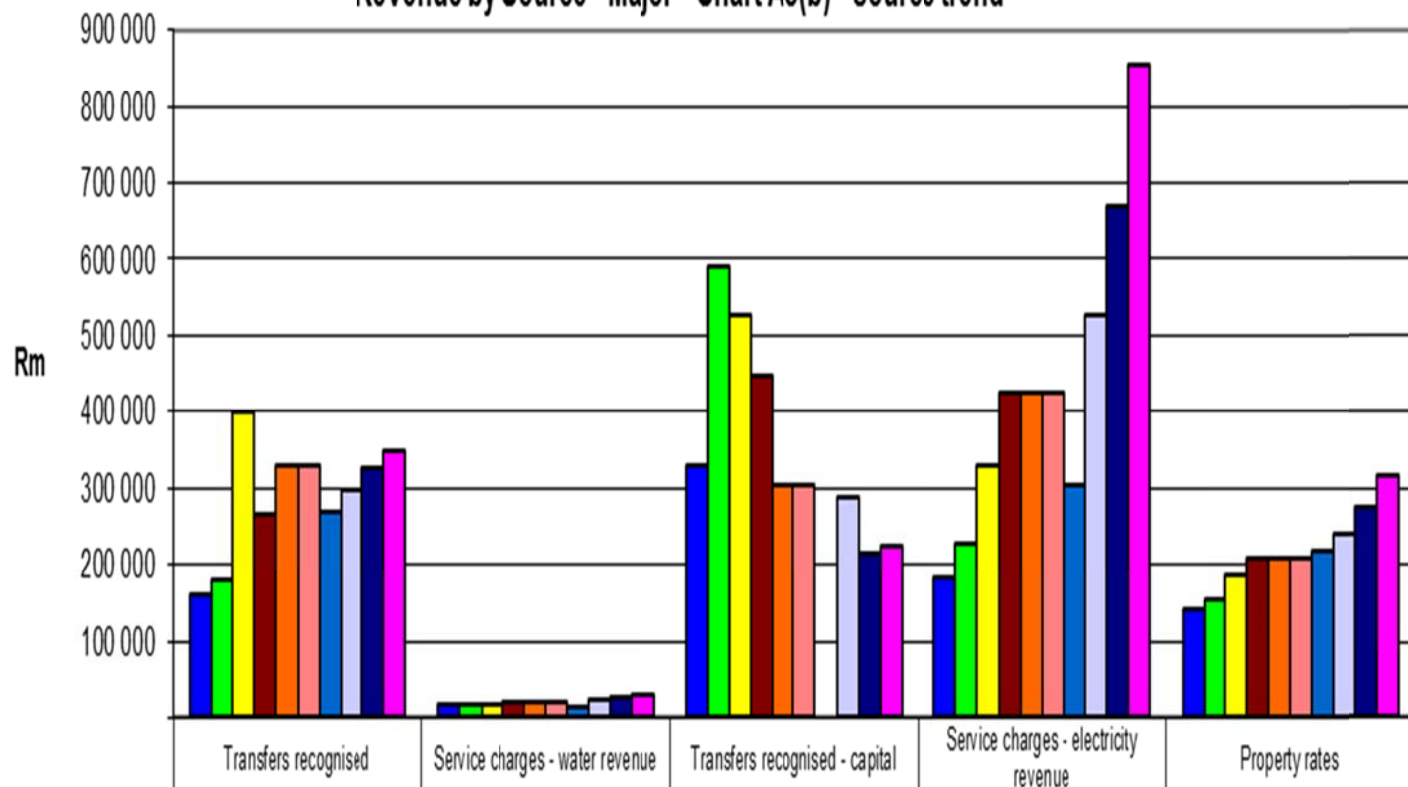
Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand	1									
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		62 562	87 309	116 845	107 806	156 676	156 676	141 020	147 895	154 730
Infrastructure - Road transport		25 834	32 634	56 519	48 329	69 359	69 359	63 393	77 617	83 004
<i>Roads, Pavements &amp; Bridges</i>		15 381	17 212	28 755	27 672	33 107	33 107	29 241	41 192	45 351
<i>Storm water</i>		10 452	15 422	27 764	20 657	36 251	36 251	34 153	36 425	37 652
Infrastructure - Electricity		17 958	25 738	27 706	13 578	21 380	21 380	22 614	22 905	24 050
<i>Generation</i>		9 506	14 630	16 254	9 572	13 254	13 254	15 362	16 452	16 425
<i>Transmission &amp; Reticulation</i>		-	-	-	-	-	-	-	-	-
<i>Street Lighting</i>		8 452	11 109	11 452	4 006	8 125	8 125	7 252	6 452	7 625
Infrastructure - Water		7 435	13 791	13 452	10 676	23 846	23 846	18 245	10 676	11 711
<i>Dams &amp; Reservoirs</i>		-	-	-	-	-	-	-	-	-
<i>Water purification</i>		7 435	13 791	13 452	10 676	23 846	23 846	18 245	10 676	11 711
<i>Reticulation</i>		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		7 001	10 162	10 767	7 400	9 529	9 529	9 927	10 459	10 841
<i>Reticulation</i>		-	-	-	-	-	-	-	-	-
<i>Sewerage purification</i>		7 001	10 162	10 767	7 400	9 529	9 529	9 927	10 459	10 841
Infrastructure - Other		4 335	4 985	8 400	27 823	32 562	32 562	26 840	26 239	25 123
<i>Waste Management</i>		4 335	4 985	8 400	27 823	32 562	32 562	26 840	26 239	25 123
<b>Community</b>		856	1 525	1 845	2 541	2 652	2 652	3 525	4 126	5 241
Social rental housing	8									
Other		856	1 525	1 845	2 541	2 652	2 652	3 525	4 126	5 241
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<b>Other assets</b>		1 254	1 425	1 685	2 854	2 985	2 985	3 525	3 895	4 521
Markets										
Civic Land and Buildings		1 254	1 425	1 685	2 854	2 985	2 985	3 525	3 895	4 521
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other ( <i>list sub-class</i> )										
<b>Total Repairs and Maintenance Expenditure</b>	1	64 672	90 259	120 375	113 202	162 313	162 313	148 069	155 917	164 492

**OTHER SUPPORTING DOCUMENTS (GRAPHS)**

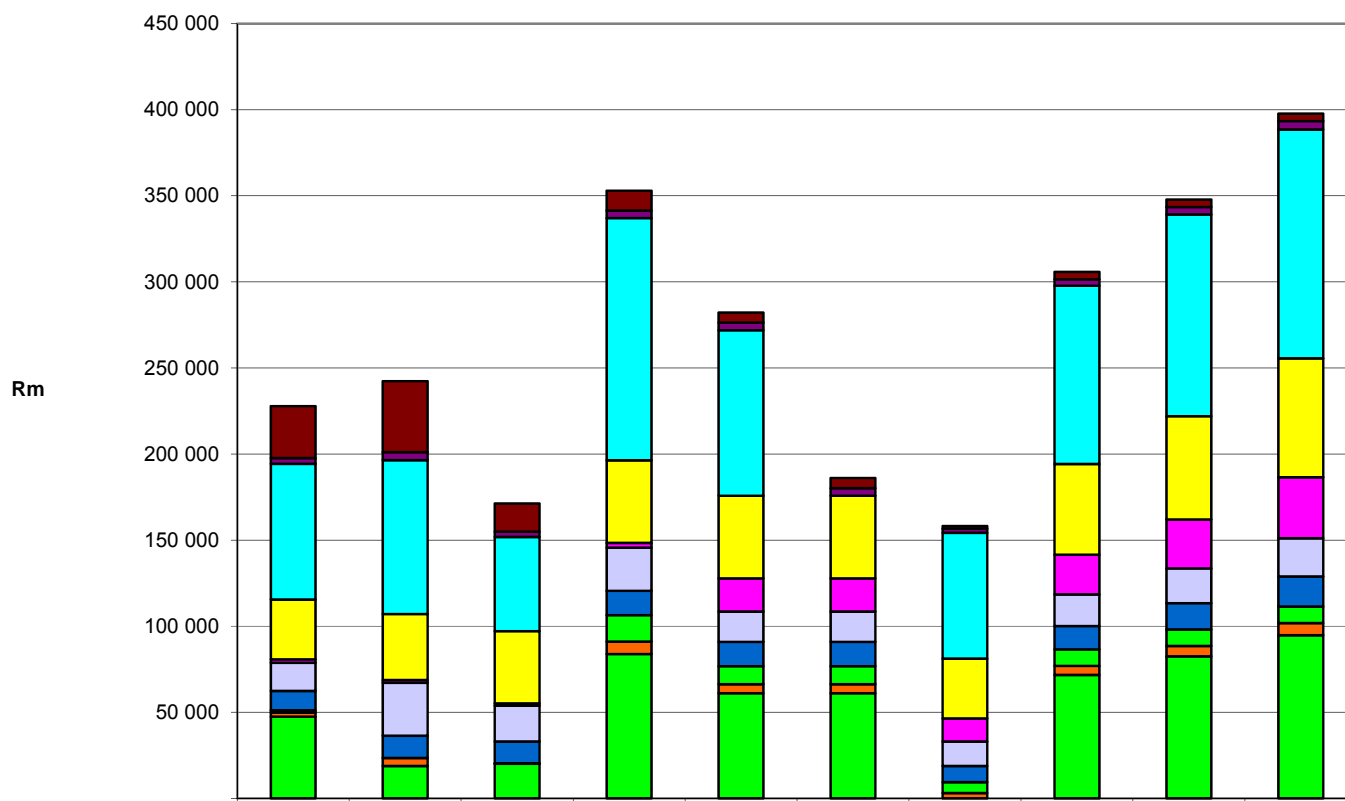
Revenue by Source - Major - Chart A5(a)



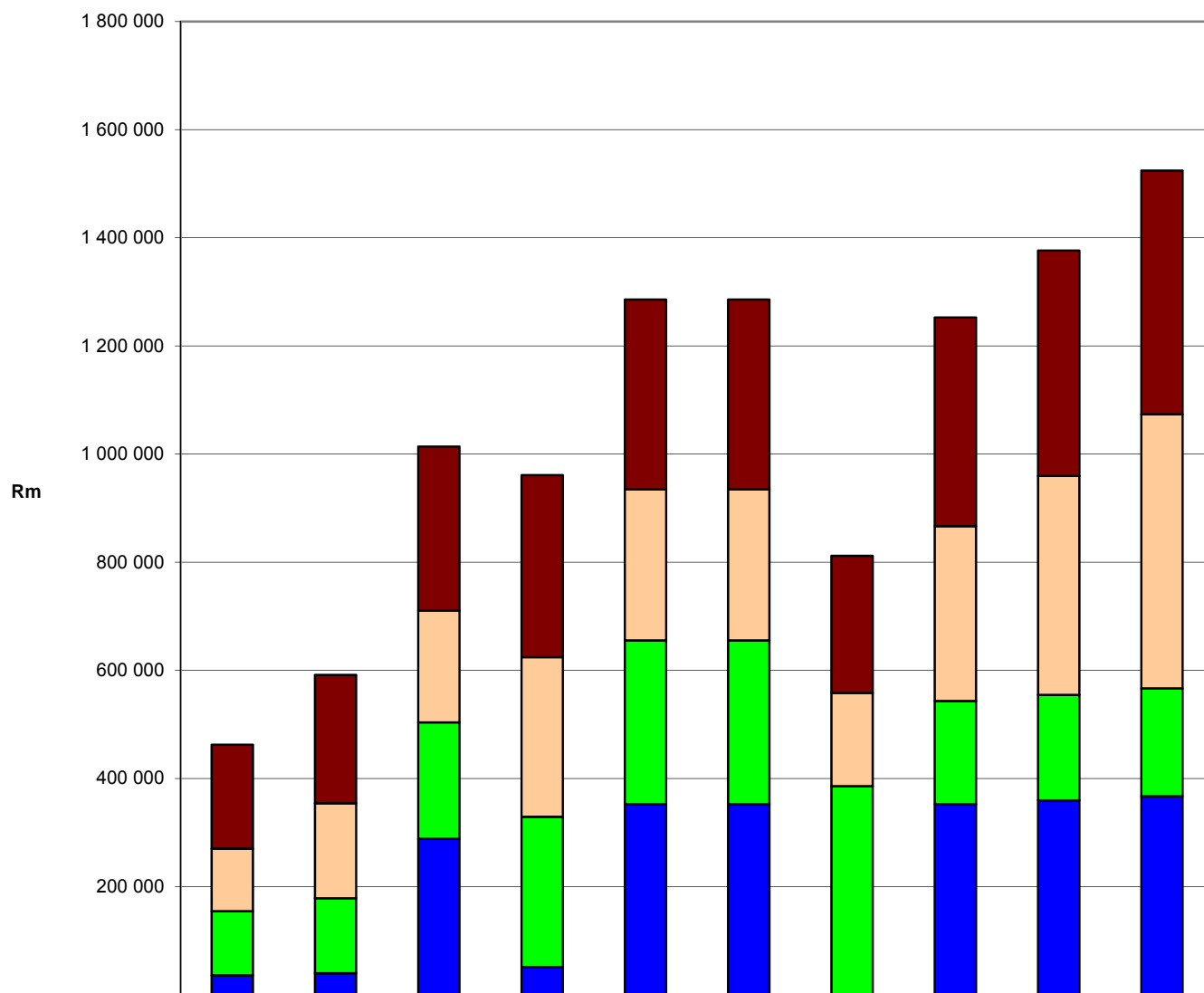
Revenue by Source - Major - Chart A5(b) - source trend



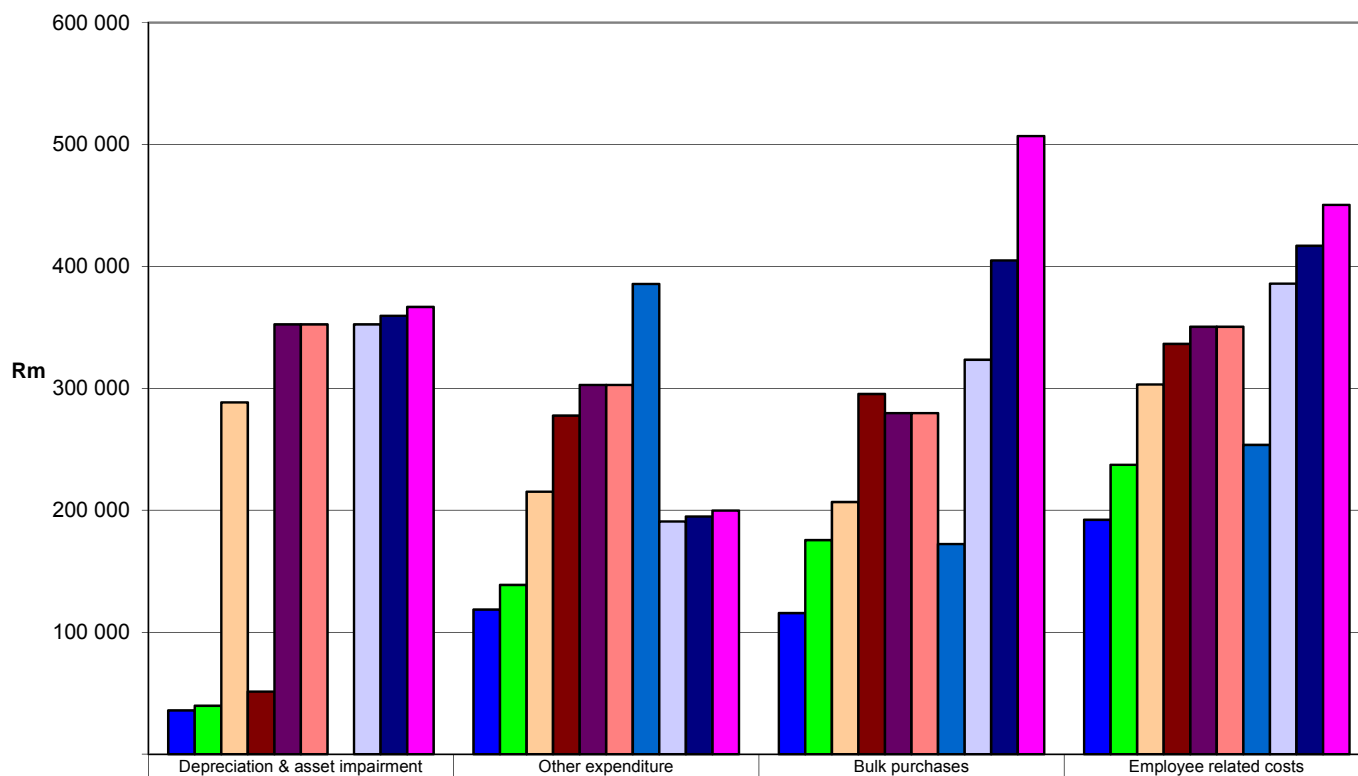
Revenue by Source - Minor - Chart A6



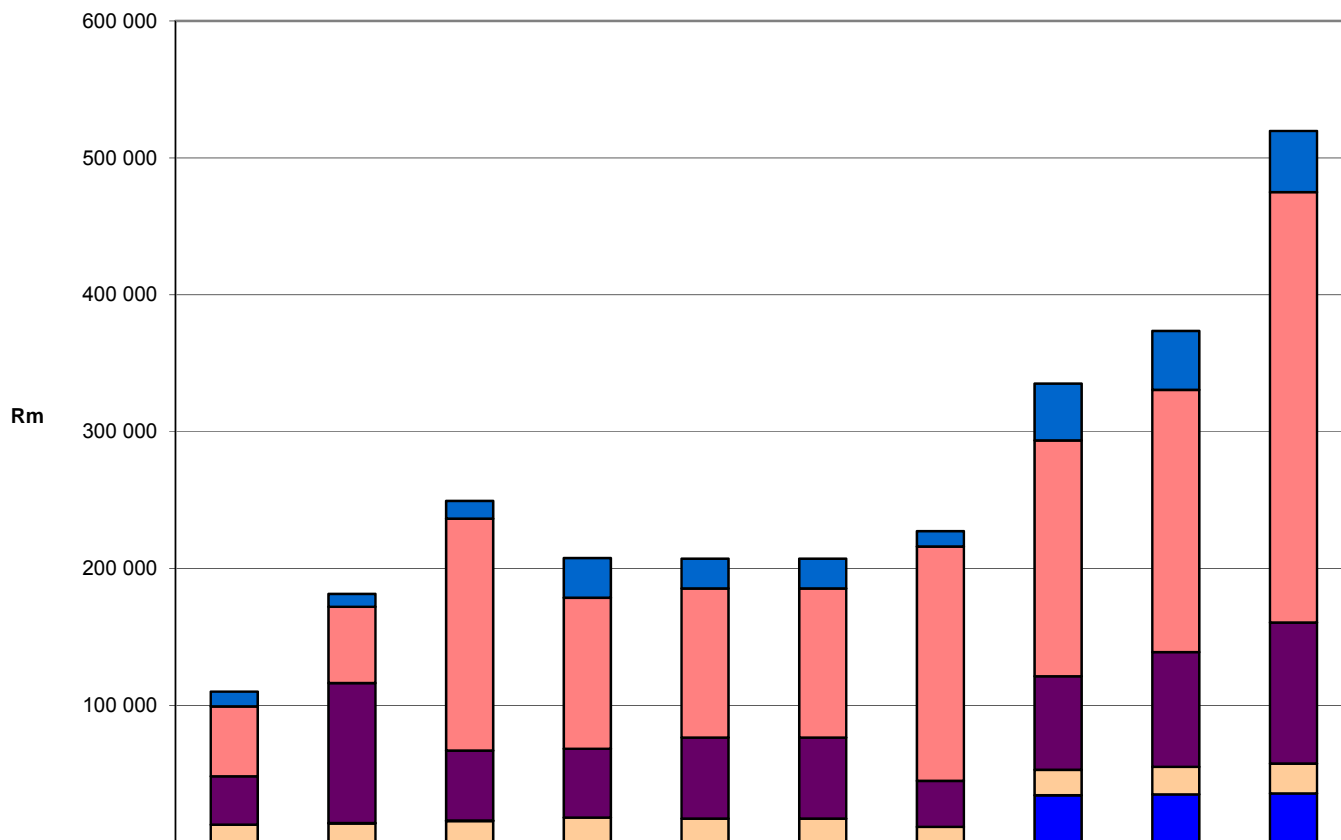
	07/08 AUD	08/09 AUD	09/10 AUD	10/11 BUD	CY 10/11 ADJ	CY 10/11 FCST	CY 10/11 ACT	Budget Year 11/12	Budget Year +1 12/13	Budget Year +2 13/14
Interest earned - external investments	30 122	41 267	16 390	11 574	5 913	5 913	1 563	4 301	4 301	4 301
Fines	3 385	4 557	3 023	4 372	4 372	4 372	2 331	3 742	4 301	4 944
Other revenue	78 839	89 462	54 775	140 616	96 105		73 125	103 505	117 181	132 821
Service charges - refuse	34 742	38 306	41 861	48 052	48 052	48 052	34 729	52 670	59 925	69 129
Rental of facilities and equipment	1 932	1 596	1 412	2 705	19 205	19 205	13 430	23 064	28 504	35 454
Service charges - other										
Interest earned - outstanding debtors	16 391	30 810	20 765	25 112	17 700	17 700	14 169	18 339	20 173	22 190
Service charges - sanitation revenue	11 171	12 886	12 657	14 106	14 106	14 106	9 387	13 577	15 308	17 502
Gains on disposal of PPE	1 489		238	15 400	10 400	10 400	6 382	9 555	9 555	9 555
Licences and permits	2 258	4 605	9	7 234	5 264	5 264	3 072	5 299	6 093	7 007
Contributed assets										
Contributions										
Agency services	47 476	18 834	20 137	83 811	61 074	61 074		71 688	82 441	94 807
Dividends received										

**EXPENDITURE BY MAJOR TYPE****Expenditure by Type - Major - Chart A7**

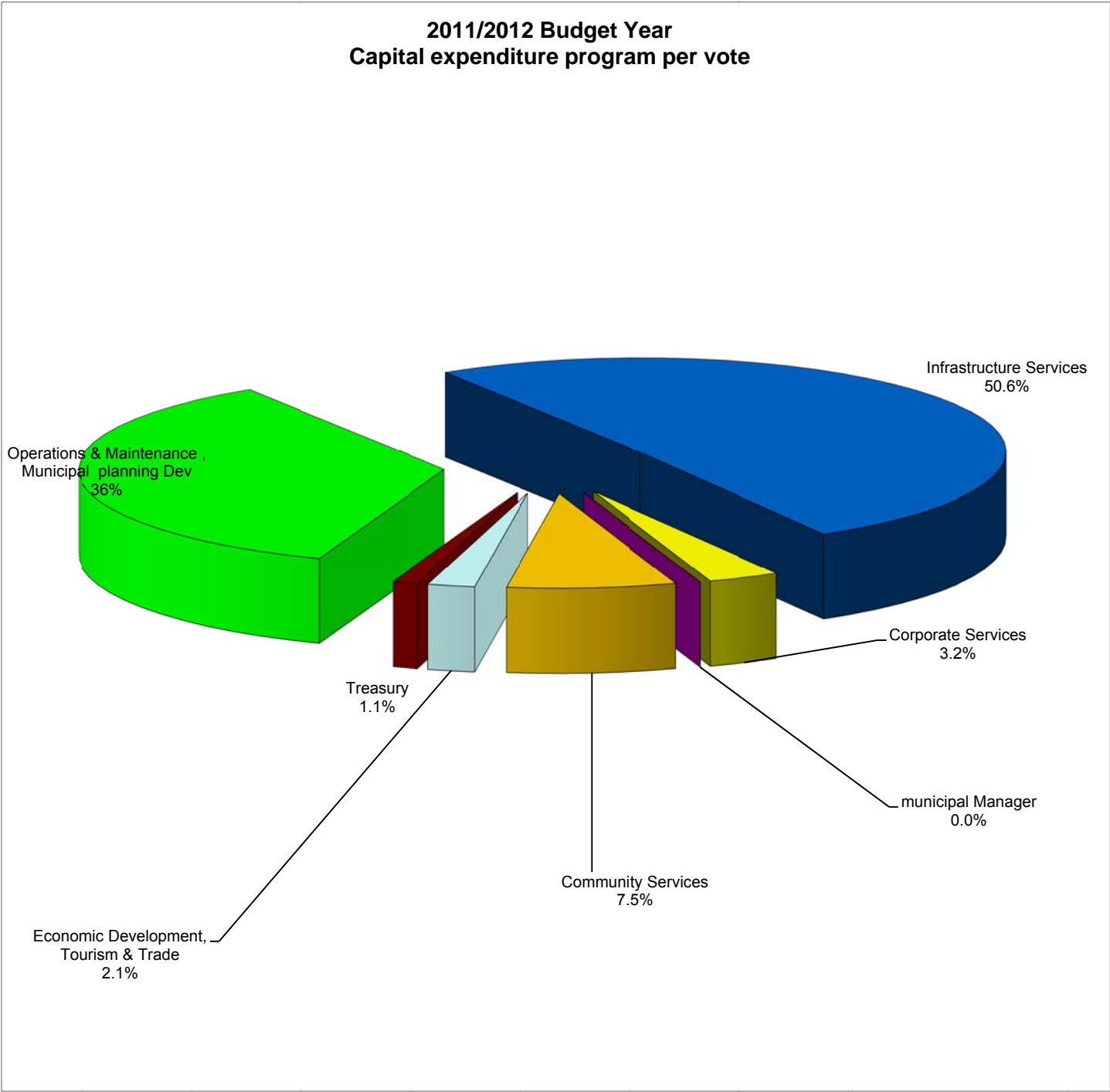
	07/08 AUD	08/09 AUD	09/10 AUD	10/11 BUD	CY 10/11 ADJ	CY 10/11FCST	CY 10/11 ACT	Budget Year 11/12	Budget Year +1 12/13	Budget Year +2 13/14
Employee related costs	192 235	237 355	303 219	336 519	350 569	350 569	253 646	385 974	417 023	450 573
Bulk purchases	115 647	175 523	206 854	295 423	279 774	279 774	172 386	323 443	404 993	507 030
Other expenditure	118 578	138 726	215 266	277 674	302 777	302 777	385 624	190 819	194 930	199 755
Depreciation & asset impairment	35 821	39 726	288 471	51 279	352 484	352 484		352 484	359 534	366 725

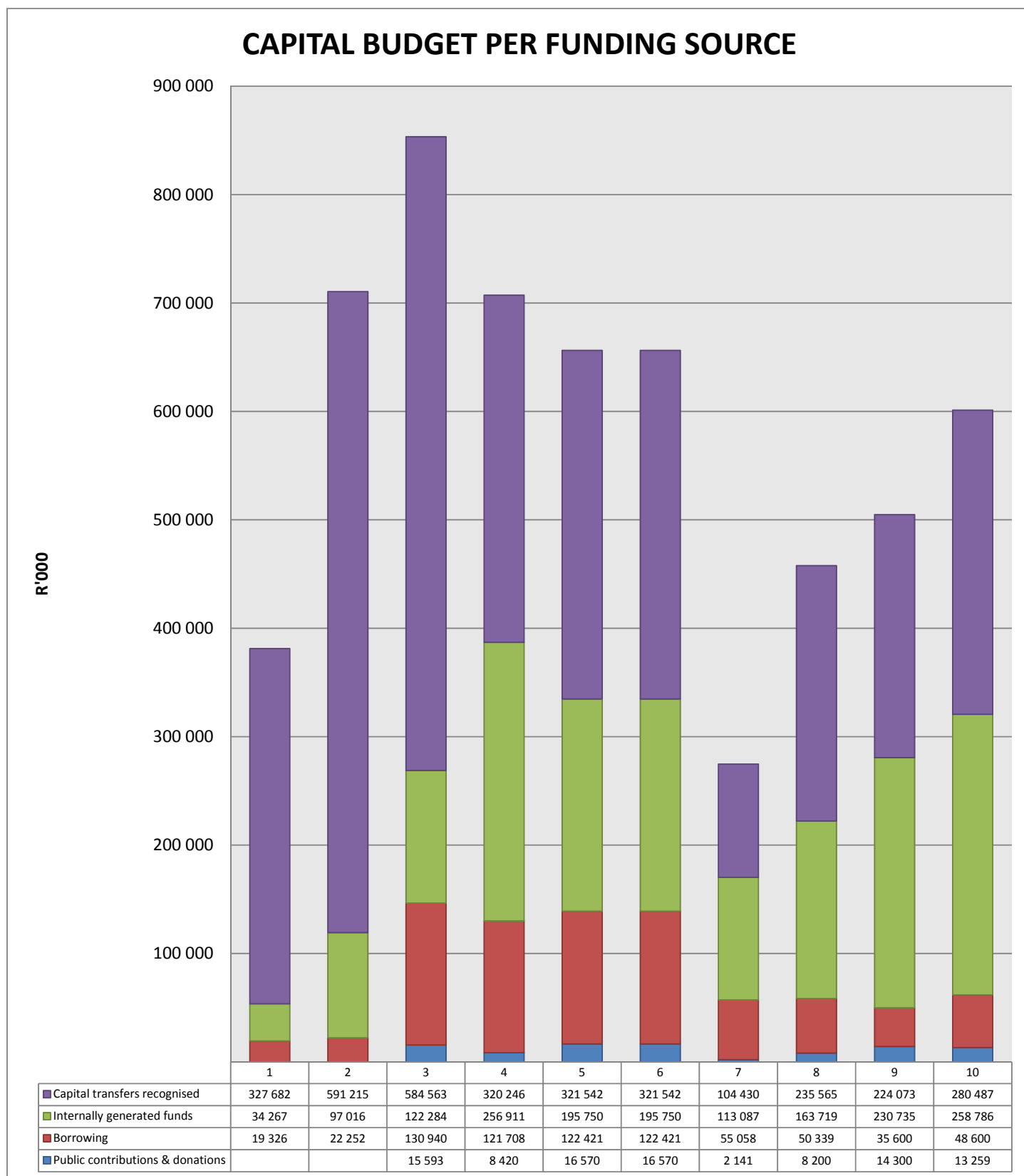
**EXPENDITURE BY TYPE - TREND****Expenditure by Type - Major - Chart A7**

	Depreciation & asset impairment	Other expenditure	Bulk purchases	Employee related costs
07/08 AUD	35 821	118 578	115 647	192 235
08/09 AUD	39 726	138 726	175 523	237 355
09/10 AUD	288 471	215 266	206 854	303 219
10/11 BUD	51 279	277 674	295 423	336 519
CY 10/11 ADJ	352 484	302 777	279 774	350 569
CY 10/11 FCST	352 484	302 777	279 774	350 569
CY 10/11 ACT		385 624	172 386	253 646
Budget Year 11/12	352 484	190 819	323 443	385 974
Budget Year +1 12/13	359 534	194 930	404 993	417 023
Budget Year +2 13/14	366 725	199 755	507 030	450 573

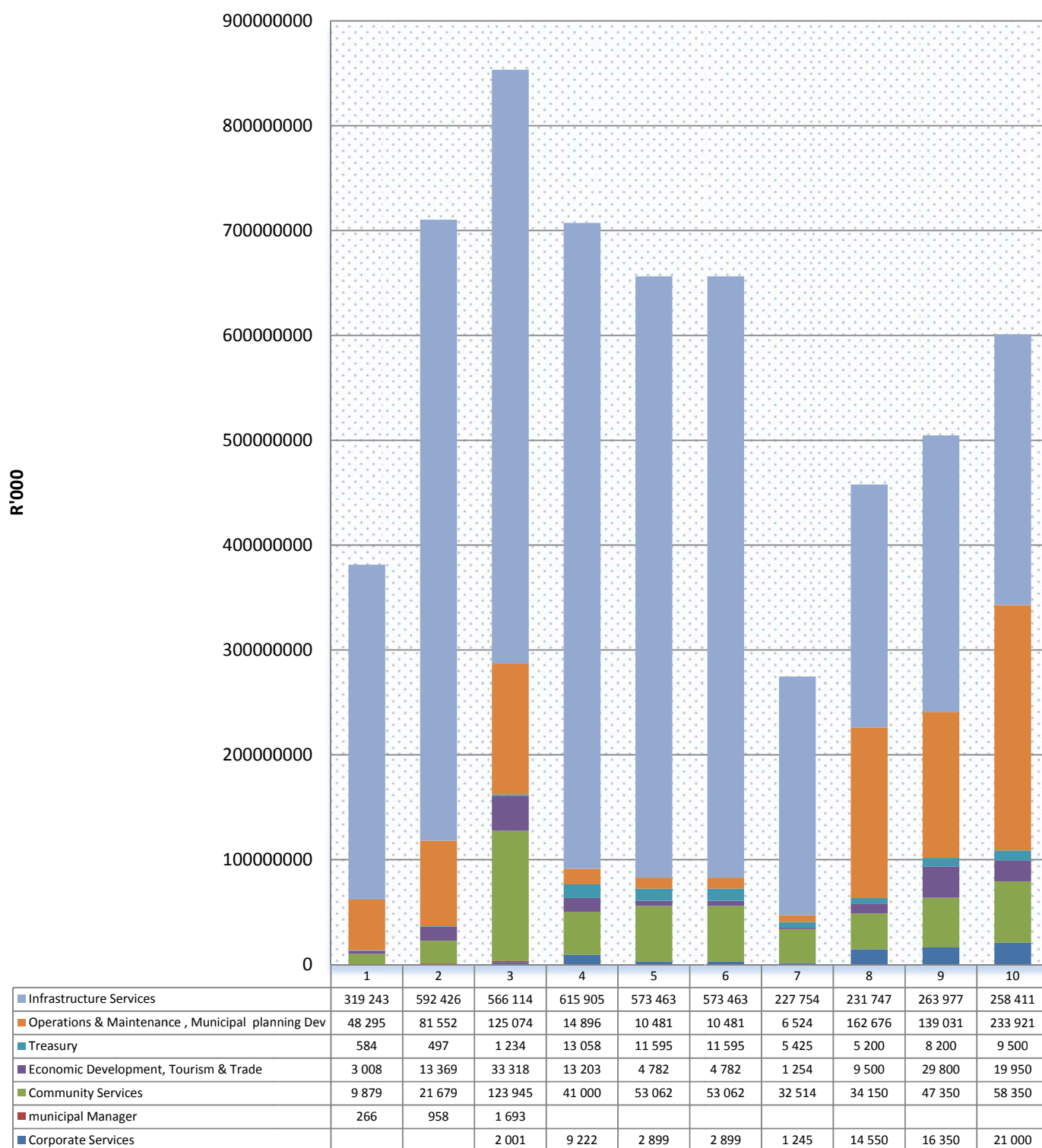
**EXPENDITURE BY TYPE - MINOR****Expenditure by Type - Minor - Chart A7**

**CAPITAL EXPENDITURE PROGRAMME PER VOTE**



**CAPITAL BUDGET PER FUNDING SOURCE**

## CAPITAL BUDGET PER VOTE



## **1.14 LEGISLATION COMPLIANCE STATUS**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### **1.14.1 In year reporting**

Reporting requirements in terms of the Municipal Finance Management Act and its regulations have been complied with.

### **1.14.2 Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the five interns one has been appointed from August 2010 and the remaining four are still part of the programme. Since the introduction of the Internship programme the Municipality has successfully trained 33 interns through this programme and a majority of them were appointed either in the Municipality or other Institutions such as KPMG, Vodacom, SARS, Auditor General, and Provincial Treasury.

### **1.14.3 Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **1.14.4 Audit Committee**

An Audit Committee has been established and is fully functional.

### **1.14.5 Service Delivery and Implementation Plan**

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2011/12 MTREF in May 2011 directly aligned and informed by the 2011/12 IDP and budget.

### **1.14.6 Annual Report**

Annual report is compiled in terms of the Municipal Finance Management Act and its regulations.

### **1.14.7 Municipal Finance Management Act Training**

The MFMA training module in electronic format is presented at the City's internal centre and training is ongoing.

### **1.14.8 Policies**

All budget-related policies mentioned in paragraph 1.11 have been approved by council on 11 May 2011, under item A(3) and available on the municipal website for perusal.

## Municipal manager's quality certificate

I ....., Acting Municipal Manager of Mbombela Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of Mbombela Local Municipality (MP322)

Signature \_\_\_\_\_

Date \_\_\_\_\_